



HOUSE OF COMMONS  
CHAMBRE DES COMMUNES  
CANADA

## **Standing Committee on Finance**

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FINA • NUMBER 112 • 1st SESSION • 41st PARLIAMENT

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**EVIDENCE**

**Tuesday, March 26, 2013**

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**Chair**

**Mr. James Rajotte**



## Standing Committee on Finance

Tuesday, March 26, 2013

• (0850)

[English]

**The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)):** I call this meeting to order.

This is meeting 112 of the Standing Committee on Finance. Our orders of the day, pursuant to the order of reference of Friday, March 8, 2013, are to do with Bill C-48, An Act to amend the Income Tax Act, the Excise Tax Act, the Federal-Provincial Fiscal Arrangements Act, the First Nations Goods and Services Tax Act and related legislation.

Colleagues, I want to welcome officials back from the department to our clause-by-clause consideration of the bill this morning.

Obviously this is a fairly sizable bill. I'm proposing that we do our clause-by-clause consideration in parts. There are eight parts to this bill, and there's one schedule.

Is it okay if I proceed in that manner, colleagues?

**Some hon. members:** Agreed.

**The Chair:** Moving to clause-by clause-consideration, then, pursuant to Standing Order 75(1), consideration of clause 1, the short title, is postponed.

Therefore, I will deal with part 1, clauses 2 to 28.

I will recognize colleagues who wish to be recognized. And if anyone has any questions to ask of the officials, now is the time to do so.

Is there any discussion on part 1, dealing with clauses 2 to 28?

If not, I will call the question.

(Clauses 2 to 28 inclusive agreed to)

**The Chair:** We will deal now with part 2, clauses 29 to 53.

Is there any discussion?

(Clauses 29 to 53 inclusive agreed to)

**The Chair:** Part 3 deals with clauses 54 to 90.

Is there any discussion on these clauses?

(Clauses 54 to 90 inclusive agreed to)

**The Chair:** We'll move to part 4, clauses 91 to 168.

Is there any discussion on these clauses?

(Clauses 91 to 168 inclusive agreed to)

**The Chair:** We'll deal with part 5, clauses 169 to 412.

Is there any discussion on part 5?

(Clauses 169 to 412 inclusive agreed to)

**The Chair:** Next is part 6, clauses 413 to 416.

Is there any discussion?

(Clauses 413 to 416 inclusive agreed to)

**The Chair:** We'll move to part 7. Part 7 deals with clauses 417 to 425.

Is there any discussion on part 7?

(Clauses 417 to 425 inclusive agreed to)

**The Chair:** We'll deal with part 8, clauses 426 and 427.

Discussion?

(Clauses 426 and 427 agreed to)

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

**Some hon. members:** Agreed.

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

**Some hon. members:** Agreed.

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

**Some hon. members:** Agreed.

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

**Some hon. members:** Agreed.

**The Chair:** Shall the chair report the bill to the House?

**Some hon. members:** Agreed.

**The Chair:** I will report this bill to the House.

That was probably the toughest series of questions we've had for our Finance officials.

**Voices:** Oh, oh!

**The Chair:** Thank you very much for being with us this morning. That was a very efficient process of dealing with this bill. We appreciate all of your work on this bill and in appearing before the committee beforehand. We do appreciate that sincerely, very much. Thank you.

**Some hon. members:** Hear, hear!

**The Chair:** We look forward to seeing you every year from now on.

**Hon. Scott Brison (Kings—Hants, Lib.):** Chair, there was one title idea I had: “Modernizing Canada’s Tax System Without a \$22-billion Tax on Everything”—but from the NDP.

**Voices:** Oh, oh!

**Hon. Scott Brison:** I just thought that would be....

**An hon. member:** That would fit.

**The Chair:** Well, we’ve already dealt with the titles, so I will not see that as admissible.

We are going to deal with two motions. The meeting will stay in public.

Mr. Rankin, I’ll move to your motion first.

**Mr. Murray Rankin (Victoria, NDP):** Thank you, Mr. Chair.

I provided notes.

**The Chair:** Maybe you could just read your motion into the record again.

**Mr. Murray Rankin:** I provided this notice of motion some time ago, and it goes like this:

That the Canada Revenue Agency provide the Standing Committee on Finance with information pertaining to estimating the Canadian Federal Tax Gap, including but not limited to: a) data or information regarding the difference between reported and assessed employment, dividend, and interest income for an anonymous random sample of T1 and T2 tax filers; b) any estimates held by the CRA regarding “collectability” of resulting reassessments and the rates of “non-detection” of incorrect returns through audit; c) any other information held by the CRA pertaining to the preparation of a Tax Gap estimate and; d) that this information is shared with parliamentarians and the Parliamentary Budget Office so that an attempt to estimate the Tax Gap can be made through other means as the CRA does not prepare Tax Gap estimates.

That is my motion. I don’t know if any further elaboration is required.

**The Chair:** It’s up to you. As the mover, you may speak to it.

**Mr. Murray Rankin:** The committee will recall that Mr. Page, the former Parliamentary Budget Officer, asked the CRA to provide him with their tax gap estimate and was initially told that they did not do that. He subsequently asked for the information I specified in the motion so that he and his office could do that analysis, as other jurisdictions in the world have done effectively, and he had no success in that matter. Therefore, I brought the motion to the committee to ask that we request that the CRA do what he has asked for.

• (0855)

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

On my speakers list I have Ms. McLeod first.

**Mrs. Cathy McLeod (Kamloops—Thompson—Cariboo, CPC):** Thank you, Mr. Chair.

I am a little bit concerned about this motion. As the member is aware, we entered in good faith into a look at tax evasion and the use of offshore tax havens. What we’re doing is pre-empting what the results of that study might find we should be doing or not doing. We’ve heard conflicting testimony as to whether this is a process that we should undertake. I think with respect to the study on tax havens, we need to complete the study and then move forward.

The other thing is, I did take the opportunity to talk to some experts regarding what you’re asking for, and I understand it would not actually come out with the results we are looking at. So basically I’m saying it’s a very premature motion, given the study that we’re undertaking. In fact, some of the information we’re asking for would not actually even achieve the desired outcome.

Thank you.

**The Chair:** Thank you, Ms. McLeod.

I have Mr. Van Kesteren and then Mr. Brison.

**Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC):** Thank you, Chair.

I’m curious, Mr. Rankin. When we read this, if we cut through the jargon, does this capture, for instance, tax revenue lost by GST cheats? We’re talking about the guy who puts a roof on your house or my house and is paid cash. Does it capture that and other tax revenue that’s lost, or is it focused mainly on offshore?

**The Chair:** Mr. Rankin, I’ll let you address this question.

**Mr. Murray Rankin:** My understanding is it is to be broader than simply the tax haven offshore part of the problem. That’s a subset of a broader problem of the tax gap. I know the Americans have actually produced a map, which you can go on the website and see, on which there are some areas of greater concern than others. It would, I think, include the kinds of things that you’re describing.

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

Mr. Brison, go ahead, please.

**Hon. Scott Brison:** The request to the PBO came from Senator Downe. I think it would actually inform our work. There’s no reason why this information cannot be provided. But I also take the opportunity to encourage my colleagues in the NDP to continue to support and recognize the hard work of our Canadian Senate. Certainly this is one other example of where we can work together on areas of good public policy, and the chamber of sober second thought can augment our efficacy here in the House. I just wanted to remind my friends and colleagues.

**The Chair:** Okay. We all appreciate those comments.

Monsieur Caron.

[Translation]

**Mr. Guy Caron (Rimouski-Neigette—Témiscouata—Les Basques, NDP):** My question goes to Ms. McLeod. She has spoken to tax experts about this matter and she mentioned that the conclusion that some of them have come to is that this is not going to provide the anticipated results. Could she tell us more about that?

[English]

**The Chair:** Ms. McLeod.

**Mrs. Cathy McLeod:** Sorry, Chair, my link was very fragile there. I caught half the question, but it seems good now. Please repeat the question.

[Translation]

**Mr. Guy Caron:** Ms. McLeod has spoken to some tax experts and, according to them, the potential study is not likely to have the anticipated results. Can she tell us more about that? Which results is she talking about? Why would the results likely not be as anticipated, according to the experts she has spoken to?

• (0900)

[English]

**Mrs. Cathy McLeod:** First of all, we heard very clearly from the OECD that the efforts spent—time and energy—in terms of measuring the tax gap were not nearly as important as going after having systems in place. There really is some considerable question in terms of having any kind of formula that is going to create a reasonable analysis of the problem.

We did hear from other witnesses, of course, who said that they had tried some things, but they were more broad in scope, and again I understand that there are real concerns in terms of T1 and T2 in particular that would actually create the results, specifically the bullet *a*.

So, again, I think what we need to do is finish our study. We need to analyze the testimony of the witnesses. We need to come up with recommendations at that time.

**The Chair:** Thank you.

Monsieur Caron.

[Translation]

**Mr. Guy Caron:** I heard the same witnesses too. So we are talking about witnesses who have appeared before this committee.

I understand that part. I feel that the study itself would not necessarily be limited to the present study, without considering the proposed changes, including those in the budget and the upcoming budget implementation bills. We find that some of the budget's technical aspects are interesting, specifically in terms of tax evasion and the fight against it.

I feel that it would be very interesting to do a study like this because it could be repeated in the future to see what the consequences of the changes have been. At the moment, we can have a precise picture of the revenue gap caused by tax evasion and evasion in all its forms, off-shore or domestic. If we could do a study like that after the changes proposed in the budget, we would have a good idea of the results they have produced.

If we do one study now and another after the changes have taken effect, we will have a good idea of the results. They could point the way to any future changes that might be proposed in the continued fight against tax evasion.

What Mr. Rankin is proposing today is interesting. It is a step in the right direction. It will not give us a picture of what we will have in two, three or four years, when the changes have taken effect, but it will give us a good idea of the direction we are going in and will help us to know whether or not we will be able to continue in the same direction.

**The Chair:** Okay. Thank you.

[English]

Ms. Glover, please.

**Mrs. Shelly Glover (Saint Boniface, CPC):** Thank you, Mr. Chair.

I appreciate what my colleague has said. We've all actually really enjoyed this study, but we've been here to listen to the witnesses, and overwhelmingly the witnesses have said frankly, this is an impossible thing to measure and that trying to do so would be a complete waste of time.

There was an analogy used during our testimony, and I think it was Brian Jean who used the analogy. It would be like trying to count all of the fish in the lakes and rivers without ever putting your fishing pole and line into the water; it just seems to be a waste of time if your goal is to catch fish. Our goal here is to catch tax avoidance and tax evasion, which is why the CRA has been commended for their efforts to put forward more auditors and to put forward more effort. Their voluntary disclosure was well received. Witnesses said they thought that was valuable, the TIEAs, etc. We heard all of that evidence.

As a police officer, I am going to use another analogy and that is that I would not waste valuable resources trying to count how many illegal pot grow-ops there are across the country without ever sending in a team to actually arrest the people who are growing the marijuana. So I believe, as did the overwhelming majority of the witnesses, that we need to focus on actually catching those who are evading and not paying their fair tax. I think that's the direction we ought to be taking.

I agree with Ms. McLeod who said that this is a pre-emptive motion, because never before on the finance committee have I seen a motion come forward before we've actually finished the study. I would think that it would be best to finish the study, come to some conclusions that are based on the expert testimony we've heard—and this is clearly not—and then move forward in that direction.

I would suggest to Mr. Rankin that he may want to perhaps discuss this once the conclusions have been reached and the report is being considered.

• (0905)

**The Chair:** Thank you.

I have Mr. Brison next, please.

**Hon. Scott Brison:** Just one point; the OECD witness was actually speaking as an individual. But over half of OECD countries have already completed this type of analysis.

There are methodologies that have been used and have been used successfully to at least estimate. It's not mutually exclusive with the fishing. We can still go fishing, but we can use sonar to determine how big the catch could possibly be. It's not impossible; there are methodologies that we can use, that's all I'm saying.

**The Chair:** Thank you.

[Translation]

Mr. Caron, the floor is yours.

**Mr. Guy Caron:** Mr. Brison stole the sonar analogy from me. I was going to use it.

I do not see that the motion excludes the study. It has been very informative. We have been given a lot of information. I have learned a lot during the study. We are moving forward with its conclusions and we are going to submit a report about it. I see the motion as separate from the study itself. It provides complementary information. On one side, we have the results of this study and the report. On the other side, we have the motion. They are two different things. We will be able to put forward recommendations in the report, and the government will, I hope, be able to act on them by putting measures in place.

Mr. Rankin is actually hoping that we will look at the scope of the problem. Up to now, witnesses have said that it could be difficult. When I asked that question to the officials from the Canada Revenue Agency at our first meeting, they said that the assessment had not been done and that the decision to do it or not was a political one.

No one has said that getting an overall picture of the scope of the problem would be easy. But it is done in a number of countries, including Great Britain and several member states of the OECD. It is not additional work for the committee. I believe that the Canada Revenue Agency itself could benefit from data like that as soon as they could be evaluated.

I go back to the importance of being able to assess the consequences of the tax evasion measures in the budget. If we have a current picture of the scope of the problem, and another picture in three or four years after the measures have been in operation, the information will be very useful in our ability to proceed in the future.

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

[English]

Monsieur Côté, then Mr. Jean, and then Ms. McLeod.

[Translation]

**Mr. Raymond Côté (Beauport—Limoilou, NDP):** Thank you very much, Mr. Chair.

With the government closing whole sections of Statistics Canada, I might conclude from its actions that I should just resign rather than get some kind of picture, albeit an imprecise one, of the situation. I wonder what its intentions really are.

Listen, Mr. Chair, let me use another analogy. You know that the unemployment rate in Canada and in its various regions is done by

surveys. You do not count each jobless person one by one. It is done by sampling.

My colleague Mr. Rankin is trying to achieve the same goal, to get some idea of the size of the problem and, as a result of that, to stop moving forward completely in the dark. That is perfectly reasonable. I hope that the government will decide to confront it one day. Otherwise, the fight against tax evasion will always be a very half-hearted one with disappointing results.

**The Chair:** Okay. Thank you.

[English]

Mr. Jean, please.

**Mr. Brian Jean (Fort McMurray—Athabasca, CPC):** Thank you, Mr. Chair and I won't belabour the point, but I think fishing is a good analogy for this particular issue. I think sonar is great, but unfortunately, it only covers a very limited amount of any particular lake at a time, so it doesn't get in every body of water just as this particular proposal won't do very well.

But I would like to know bluntly, what is the benefit? What is the end result you hope to achieve? Because as a government, and a good government that takes care of taxpayers' money efficiently and with some sense of responsibility, we have a finite amount of resources.

So I'm wondering what the cost-benefit ratio is here and whether there is, from Mr. Rankin's perspective, some endgame that he sees to be a benefit. Because ultimately, I don't think people—like taking a survey—are going to step forward and volunteer the information. You actually have to catch them in the act, so to say, in order for it to be a benefit.

I'm kind of curious as to what the benefit is because our witnesses indicated to us that, frankly, many of them did not see a benefit in this data being collected. I don't really see a benefit in the data being collected either. In fact, I think it's a misnomer. But I'm curious if Mr. Rankin could actually identify for me what end result he expects to receive or at least what he hopes to get, and what he will do with that data or what he expects the data to be used for. How will it benefit Canadians on a cost-effort ratio? Because we do have finite resources and we do have an obligation to spend money wisely. I just don't see this as a wise spend.

● (0910)

**The Chair:** I'll go to Mr. Rankin and then Ms. McLeod.

**Mr. Murray Rankin:** Thank you, Mr. Chairman.

It used to be said that you cannot manage what you cannot measure. My view is that if the U.K., the U.S., and Australia have methodologies that they've used effectively to do what we're proposing, I don't understand why Canada would deprive itself of what could be useful data.

My colleague, Mr. Caron, mentioned that this budget, which contains some measures that I think we could all agree on, is a step in the right direction on an aspect of the tax gap, the tax evasion issue. It would be really useful to put that in context a few years down the road if we have methodologies to see just how effective those measures are and where we might improve them going forward. Until we measure it, we'll never really know.

I'm the first to acknowledge that this isn't a simple measure, but as Mr. Côté says, you don't count people who are unemployed and say that's the unemployment rate. There are sophisticated statistical methodologies that have emerged and evolved over time like there are in the United States and the U.K. where they do this very work.

Not being a statistician, I'm not able to say what those methodologies are, but I'm confident that our CRA is up to the task. I don't see any benefit in depriving ourselves of information which our allies believe to be valuable.

**The Chair:** Mr. Jean.

**Mr. Brian Jean:** Mr. Chair, the question still has not been answered. Just because some of our allies may see it as a benefit doesn't mean it's going to be a benefit for us.

What I'm asking him and he still hasn't answered, is what is the benefit? What do you see as the end result in this? What do you see in this data that would actually be valuable to us, instead of spending resources and significant amounts of money gathering data that really, in my mind, doesn't mean anything? It's like taking a shotgun to a mosquito; you're not going to accomplish anything in the end.

So what do you see as the end result in this? Because we can get the data as well from people we catch, which I would think would be much more important, to find the people who are caught and then do surveys of them and find out how we can catch additional people rather than just a conglomerate of information that really doesn't accomplish anything? That's why I'm asking, what do you see as the end game in this?

Just because our allies put this data together doesn't mean that it's of any interest to us and maybe they have a lot more money than us. Just because Italy and Greece are doing very well economically doesn't mean we should follow their path. What I'm asking is, what's the endgame, what's the benefit that he sees?

**The Chair:** I'm going to go to Ms. McLeod.

Then, Mr. Rankin, I'll come back to you, if you wish.

**Mrs. Cathy McLeod:** Thank you, Chair.

I think I will go back to my original statement. This is an appropriate discussion within the context of the report that we're going to do, whether it is a recommendation or not.

Second of all, to sort of presume that there are some systems...we are being very prescriptive in terms of what we're asking for here, with no idea in terms of the cost and whether it would even create something of value. I do understand the CRA has responded to the PBO in terms of this particular area, but again, I'm going to encourage my colleagues to vote this motion down. We will have a comprehensive discussion within the framework of the report in terms of appropriate recommendations.

**The Chair:** Thank you, Ms. McLeod.

Mr. Rankin, did you want to speak further to this?

**Mr. Murray Rankin:** I can only repeat what I said. You're asking what the outcome will be, what the results of this analysis will be, and the point is, we don't know until we do it.

Is the budget going to be effective—the one that's currently before Parliament—in addressing the tax haven issue? There are a number of measures in there. If we had a broader context in which to put that, we would be able to know whether we were going after the right fish or hunting in the right place. Maybe there are other things that could be done. I don't think we know how much the cost of this will be, but we can certainly find... All he's asking for are some pretty straightforward things that can be analyzed by his officials. I don't see this being an expensive proposition.

I guess I'm just concerned that we would deprive ourselves of information, which admittedly some witnesses, in an individual capacity... Mr. Saint-Amans from the OECD expressed that there was little value in this, but so many others did say that it was valuable. Mr. Murphy and others who testified told us they thought this was a key element in the whole exercise. So to me, to simply deprive ourselves of information that others think is valuable just seems wrong-headed.

● (0915)

**The Chair:** Thank you.

Mr. Brison.

**Hon. Scott Brison:** On the reference to cost to conduct this, my understanding is that the cost to do some sort of analysis of this wouldn't be that great. We just emulate the methodologies that other countries have used. I don't believe there's a significant cost, and I don't see the question—Mr. Jean's argument—of what is the benefit of doing this. I would counter that with, what is the advantage of not having this information? We may be surprised that either the number is significantly lower than that of our trading partners or it may be higher. We don't really know, but in a small open economy with a disproportionately large presence in the international banking sector, having some estimate from our perspective, I think, is even more important than for some of these other countries.

**The Chair:** Thank you.

On this, Ms. Glover, please.

**Mrs. Shelly Glover:** As I'm searching my iPad to look at Australia's situation, I see an article here by a Mr. Richard Highfield. He's a senior adviser with the OECD Centre for Tax Policy and Administration, and he's an adjunct professor at the Australian School of Business. In this piece, it says he "argues reporting and matching information about incomes and tax paid are proven and 'highly effective' means of detecting and deterring non-compliance by taxpayers".

He goes on to say later that, "Estimating the size and composition of the aggregate tax gap in Australia with any degree of precision is difficult because of the complexity of the tax system and the numbers of taxpayers involved".

And he goes on to talk about the fact that they don't actually look at the situation like other countries because they're having a hard time estimating it. Again, there are a number of reports; I just picked the first one. This is not a good use of taxpayer funds. Australia has had, obviously, huge problems in trying to estimate their own, so again I think our resources are better, as Mr. Highfield says, trying to actually match the reporting with the information that we're collecting, which is what the CRA has been doing and we've advanced significantly since the previous Liberal government.

Thank you.

**The Chair:** There are no further speakers, then?

I will call the question.

(Motion negatived: nays 6; yeas 5)

**The Chair:** I understand, Ms. Nash, you wanted to move your motion today?

Does everyone have a copy of Ms. Nash's motion as well? Okay.

If you could, please read that and then speak to it.

**Ms. Peggy Nash (Parkdale—High Park, NDP):** Thank you, Chair.

I'd like to move the following motion:

That the Standing Committee on Finance a) undertake a study to examine rising household debt in Canada, including, but not limited to: the root causes of rising household debt, the nature of household debt in Canada, and the social and economic impacts of high household debt levels; b) that the Committee make recommendations to the Government of Canada to address rising household debt levels; and c) that the Committee report its findings to the House of Commons.

**The Chair:** Is there any discussion on the motion?

**Ms. Peggy Nash:** Yes. I know we've heard at this committee concerns raised about the level of household debt from the Bank of Canada. We've certainly seen in the media concerns about this, from our major banks, from the IMF, from the OECD. Our level of debt has risen significantly, about fourfold since the beginning of the 1990s, and the pace of the increase of debt has created a lot of concern.

The Royal Bank recently identified this issue of household debt as the major challenge to the Canadian economy. There have been many concerns about whether the financial position of Canadian households is sustainable going forward or whether there are going to be significant cutbacks on the part of Canadian households, and what the impact of that will be on our economy.

We are at the greatest level of household indebtedness ever. Some are very concerned about it. Others say it is manageable. I think it's incumbent upon this committee to really determine why household debt is rising so significantly. There are some obvious things one could point to, like rising housing prices, but I think there are other factors that should be looked at as well. I think it will be the responsible thing for this committee, following an examination of household debt, to then make recommendations going forward so that the House of Commons and our members of Parliament can be better informed on this issue and so that the government and the House can take appropriate action if necessary.

●(0920)

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

Monsieur Côté, and then Ms. Glover, please.

[*Translation*]

**Mr. Raymond Côté:** Thank you very much, Mr. Chair.

Preaching to households about their debt is completely stupid, in my view. Clearly, the interest of this motion is in understanding, as we must, the objective conditions that have brought households to this level of debt. We were able to see what the situation was in the United States. Actually, the rate of household debt is going down there because the Americans really had their backs against the wall.

There is always a cause, even a number of causes, that can be determined by this. While households in North America were getting deeper into debt, the Chinese government was very active in encouraging individual Chinese people to save. We have to understand what is going on, what has happened to push households to become so indebted. Only then will we be able to find solutions and to hope to be able to get ourselves out of trouble if ever a real danger presents itself, which is a strong possibility.

**The Chair:** Okay. Thank you.

[*English*]

Ms. Glover, please.

**Mrs. Shelly Glover:** Thank you, Mr. Chair.

I want to say, first and foremost, the government has been very vocal about expressing our concern with regard to Canadians overextending themselves and has put in a number of policies to try to address this. Unfortunately, most, if not all, have been opposed by the opposition. We continue to move forward in that endeavour regardless. We are going to continue to remind Canadians that tax rates right now, interest rates, and whatnot, are low, but interest rates are bound to go up.

With regard to this particular motion, Ms. Nash and I had discussions about it previously and it was presented surprisingly in committee because we had discussed the fact that our committee calendar is intense. It is absolutely intense. So I want to know from Ms. Nash where exactly she sees this falling into the calendar. I see that we already have our calendar developed to about June; we'll be discussing it further in subcommittee.

We still have things such as Mr. Hoback's study that will be coming forward. We'll have the pre-budget consultations that will keep us busy in the fall. The supplementary estimates will be presented. We have a BIA one and two that will be coming. This committee has some responsibilities that must be addressed.

Having said all of that, we're going to be starting very shortly a study put forward by Mr. Brison on income inequality. As I said before, there have been discussions about some similarities between household debt and income inequality. I suspect we may get some information out of the income inequality study that might be helpful in that endeavour. They are similar. That one is about to start shortly.



I think the timing to continue to bring forward as many motions as possible every single time we have a meeting is keeping this committee tied up in talking about studies that we never get to. I suggest that Ms. Nash may want to consider listening to the income inequality study, seeing what we find there, and really adjusting the timing of her motion when there's time, because right now, as I look at the calendar before us, there is no time before Christmas. I think she may want to put forward this motion perhaps when the next session—basically, it's not even a session—the next year starts.

I think Mr. Brison's income inequality study is going to address some of this, which will be helpful in making some recommendations sooner rather than later. If that's really her intent, it ought to come out in Mr. Brison's study on income inequality, because it's not going to be very timely if it's not until Christmas.

● (0925)

**The Chair:** Thank you.

Just before I go to Monsieur Caron and then Ms. Nash, in terms of process, the way I handle this as chair is that if a second motion is passed, then obviously the first motion would take precedence, unless the committee explicitly directs me to reverse the two. Mr. Hoback's motion is the first one after Mr. Brison's in terms of studies. That's for everyone's planning purposes.

Who wanted to go first?

Ms. Nash.

**Ms. Peggy Nash:** Yes, thank you.

I was going to address the issue of timing. Given that this is the number one preoccupation of Canadians right now, as indicated in recent polling, I would think it's something that this committee ought to look at this year. As Ms. Glover knows, there's no time limit for a motion, and if the committee adopts this and gets it on our list of planned work, we could take a look at trying to find time for this in the fall, I would think. Obviously, there's not going to be time this spring.

I don't know what the government's plans are in terms of how extensive budget implementation bills will be and how much time that's going to take. This committee has decided that it's going to duplicate a study that was just done by the industry committee, with Mr. Hoback's motion. Surely, if we have time to duplicate something that was just completed by another committee, we can find time to study something that this committee has not undertaken and that is a real concern for Canadians.

**The Chair:** Thank you.

Monsieur Caron.

[*Translation*]

**Mr. Guy Caron:** I do not want to over the same points again. I agree with what Ms. Nash has said. However, there are two things I would like to mention.

First, I do not see the link between income inequality and household debt. Household debt affects a significant number of Canadian households, whatever their income level. Families in comfortable financial circumstances as well as those less fortunate all have too much debt. Whatever way you look at it, indebtedness is

a question that is much more macroeconomic in nature, if you tackle it as a Canadian problem. We are talking about a debt-to-income ratio of 167%, but that does not apply to all Canadians. It is a macroeconomic question. The study we are proposing has nothing to do with income inequality.

So, even though I agree that we will be very busy—we are the Standing Committee on Finance, after all—I want to emphasize that that did not stop us from holding 12 meetings on charitable donations. That is an important matter. But if we were able to dedicate 12 meetings to that one question, despite the fact that our schedule was equally busy, I feel that we can find some time between now and Christmas, or between now and whenever we set, to have some meetings on this other matter, which is extremely important for all Canadians.

So I encourage everyone to vote in favour of this motion. We can then decide on the best time to conduct the study, depending on the time the committee has available.

● (0930)

**The Chair:** Thank you.

[*English*]

Mr. Brison, please.

**Hon. Scott Brison:** I think the issue of household debt is a very important current issue. It's also one where all parties have expressed very similar concerns. Is it possible to—even in the autumn—take another look at studying the issue? I'm not certain—I may have missed it, Ms. Nash—how many days you were looking at for a study.

Another option is to have a subcommittee of finance focus on this. That's something we might consider from time to time, having a subcommittee take on a particular issue and then report back, because we are tasked with a lot right now. But this is one issue where I think all parties are on the same page in terms of the concern over household debt. I would hope we could find time to study it at some point.

**The Chair:** Thank you.

I have Mr. Hoback, and then Mr. Adler.

**Mr. Randy Hoback (Prince Albert, CPC):** Thank you, Mr. Chair.

[*Inaudible—Editor*]...study that I proposed, and it's a duplication of the industry study. I've been talking to different players in the sectors, whether wireless, consumers, or retail associations, and they're very excited that we're taking on this study. In fact, they feel that this study will add a lot of benefit to the industry study, with things the industry study did not address. I think she should maybe be careful of what she says about what's more important to Canadians in this work.

We have recognized the fact that household debt is huge. In fact, every economist talks about it. I know the Bank of Canada Governor has talked about it, and our minister has talked about it. It is something that everybody recognizes as a problem. But when you go to look at individual household debt from house to house, it will not be consistent in how it's made up. I'm not sure what your goal is in this study, in trying to figure out how you move forward, because household debt is household debt. My debt is different than Mr. Brison's debt, which would be different than Monsieur Caron's debt.

What do you want to do with this information when you're done? Are you going to bring in some regulations on the amount of financing that an individual can take on? What is your end goal with this study? Is the NDP proposing to regulate the amount of financing an individual can take on? What is the reality of the end goal of this study? I just shake my head.

Again, this committee has been very good to the opposition members. I don't even mind that they've had lots of chances and have brought forward many studies that we've also engaged in. We bring forward one study and then they attack it. So if they want good cooperation, I think maybe they should let us proceed with some work, too, work that Canadians see as viable and important, and that is actually going to help shape the sector for consumers as we move forward.

If timing is an issue, I would hope you would recognize the importance of this motion I brought forward, and understand why that would probably be more important than her study at this point in time.

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

I have three more. I have Mr. Adler, Ms. Nash, and Monsieur Caron.

Mr. Adler, please.

**Mr. Mark Adler (York Centre, CPC):** Thank you, Chair. Through you, Chair, I would just like to say that our government has taken substantive steps to attempt to educate people in terms of reducing their household debt. Mr. Chair, your own financial literacy and leadership on that has been outstanding, I may add. The finance minister has reduced amortization years' rates. All of which of course the NDP did not support.

But I would refer everybody back to....I see this as a bit of a red herring being proposed by the NDP. I refer everybody to the NDP policy platform of the 2011 election where their 5% solution, which proposed capping credit card rates at 5% above prime, would have shot household debt, credit card debt, into the stratosphere. So it's a bit of a red herring that's being proposed currently by the NDP.

We know what their solution is. It's reducing credit card interest rates to levels where people will take on more debt. I don't see the purpose of this motion being proposed by the NDP. It's a total red herring as far as I'm concerned.

• (0935)

**The Chair:** Thank you.

Ms. Nash.

**Ms. Peggy Nash:** Thank you, Mr. Adler and Mr. Hoback, for your pre-emptive conclusions for any such study. I guess I take a different point of view. The purpose of the study would in fact not be to start with conclusions and try to prove those conclusions but rather to conduct a study to investigate and find out perhaps new information, hopefully new information that might inform this committee, so that then we could draw conclusions from the fact-based analysis that we would have presented by various experts who would come to the committee.

Given that this is the number one issue identified by Canadians in recent polling, identified by the Governor of the Bank of Canada, the OECD....In fact, the finance minister himself has raised this as a serious concern. One could point, but I won't, to things that the government has done because I think that they made changes in one area around mortgages, but then they changed that direction I think to address the very real concern about growing household debt.

I don't think that household debt is strictly mortgage debt. I think there could be a variety of factors. Households do vary in terms of the nature of their household debt. I think there is a multiplicity of factors and therefore just telling people to reduce their debt is a nice comforting simplistic solution, but it's incumbent on this committee to actually investigate and see what the various causes are.

While I appreciate the time constraints of the committee, I respect the time of the committee. I do feel that between now and the end of December, surely we could find some time to address this important issue.

**The Chair:** Thank you.

[*Translation*]

Mr. Caron, the floor is yours.

**Mr. Guy Caron:** I would like to make a quick comment in response to Mr. Hoback's. This is exactly what I was saying. This is the difference between a microeconomic matter and a macroeconomic matter. We are not going to study the composition of people's individual debt. We are going to study the problem as it exists Canada-wide, for Canadians as a whole. That will give us information on the systemic problem.

What causes household debt? Why has it climbed so quickly? We have no answer to that. We cannot just attribute it to mortgages. Other factors come into play. What are those factors that have led to the rapid growth of household debt? We will be able to discover that after studying it in committee. We cannot really claim in advance to have defined the problem and found a solution.

Studies are part of the committee's role. A study like that would not only allow us to gather interesting information that would help the government to deal with the situation, but its results could also be of interest to the Bank of Canada in forming its own monetary policies. So do we really want to stop ourselves from gathering that information?

Comments from Canadians, in the media and from experts, vary considerably at the moment. By rejecting a motion like this, the committee would be missing the opportunity to be able to gather that information. So I encourage everyone to vote in favour of the motion. It is a real concern for Canadians and we cannot ignore it.

**The Chair:** Okay. Thank you.

[English]

I have Ms. Glover next, and then Mr. Jean, please.

**Mrs. Shelly Glover:** Thank you, Mr. Chair.

I'm a little troubled by what I'm hearing, Mr. Chair. What I've heard the NDP say is that they want to see us adopt this and study it in the fall, which is completely unrealistic if you look at the calendar.

According to the calendar we'll have Mr. Hoback's study in the fall. I'm quite troubled by what Ms. Nash said, and I find it quite negative toward Mr. Hoback's motion. I would strongly implore the NDP to actually look at Industry Canada's report.

Just so we're very clear, Industry Canada's report focused on e-commerce, focused on expanding broadband, focused on reducing red tape, focused on fighting wireless spam, focused on the shortage of labour in IT, focused on a directory for R and D programs within the government, focused on a code of conduct for consumers and retailers—which is addressed, by the way, in economic action plan 2013; there is a plan underfoot to have a new consumer code. And the report also focused on government being a model for e-commerce, and it focused on literacy.

It did not deal, not one iota, with the problem that is being addressed right now in our offices. I'm getting calls, and I know Mr. Hoback is getting calls, because people don't know what their rights are with regard to tap-and-go payments. They don't know how the banks are going to treat the competition that exists between one and another, and other providers of electronic wallets.

This government needs to make recommendations at some point on how we regulate these things. Without a study, it is very difficult for a government to get the best practices and get the input. That is the responsibility of this committee, to help government develop policies that actually protect Canadians, and particularly protect consumers.

That is what is of interest to this side of the committee. If we don't address how the fees will occur, if we don't address whether debit will be allowed on the same electronic wallet as two different credit cards that compete with one another, if we don't address whether advertising will be allowed and those kinds of things, we are going to have some very confused Canadians, as they already are as tap-and-gos begin to make their way into our society.

This is pressing. It will further complicate the ability of consumers to do their finances in a prudent and knowledgeable way. It addresses the fact that we want them to be literate in financial areas, and it is a hugely pressing study. For the NDP to suggest that it is not, and suggest that we can just set that study aside is disrespectful to Mr. Hoback. It's also, frankly, unfair of Ms. Nash because we had a conversation about it being the government's intention to look at this, and then the motion was put forward to pre-empt the motion from Mr. Hoback. If we're going to work collaboratively, those things cannot happen and we have to be honest about what is before us.

The industry committee did a good report but it had nothing to do with banks and regulation, which is clearly a finance committee responsibility. I take my responsibilities very seriously, Mr. Chair. I

intend to see that Mr. Hoback's study takes place and in another time and another place this might have been a motion that would have fit in the calendar but it is just not possible at this point.

• (0940)

**The Chair:** I have a few points.

As the chair I'm going to play out one thing, which is that when a member introduces a motion and the motion is actually addressed at committee, the motion becomes the debate of the committee.

When that motion is adopted, as it was in the case of Monsieur Mai, as it was in the case of Mr. Brison, and as it was in the case of Mr. Hoback, it then becomes the committee's motion and the committee's study.

We may want to refer to “the member and the motion” but we should actually refer to “our study”. So the income inequality is our study, the tax evasion is our study, and Mr. Hoback's motion is now our study as the finance committee. I should have pointed that out earlier. Once we adopt a motion and it becomes our study, we should probably stop debating it because we've already adopted it and it is our study and we all should support that study and work towards getting as much information as we can. I was perhaps remiss in not stating that earlier, but I think it's important to state it now.

I have Mr. Jean next, and Ms. McLeod, and Ms. Nash on this motion.

Mr. Jean, please.

**Mr. Brian Jean:** Thank you, Mr. Chair.

I would say that I do support our study that was moved by Mr. Hoback—

**Voices:** Oh, oh!

**Mr. Brian Jean:** I have a business right now that has 10,000 customers a month and a tremendous amount of cash transactions, as well as opportunities to use some of the new and innovative techniques around the world. Frankly, I think Canada lags behind Australia and the U.K. tremendously in relation to opportunities that are available here. I certainly think that it would help our economy to have something implemented that would look at other studies that have been done in other jurisdictions and at what those jurisdictions have done.

Again, I'm asking a question to Ms. Nash in this particular case, because of course she's a mover of this motion. That is, you refer to the social impacts of high household debt levels, and I'm just curious to know if you've looked at other jurisdictions. We know that the United States, for instance, has this issue, as most of Europe does and as some of the other western economies do.

Has there been any attention spent on what's happening in other jurisdictions and have there been any proposals to move this particular motion more in the direction that other jurisdictions have looked at and have been successful in? Because, simply put, Mr. Rankin referred to other jurisdictions, and one of his comments was that, well, if other jurisdictions are doing it, we should do it too, which quite frankly, in my mind, is not a very good argument. That's one of the reasons I voted against it.

I'm wondering if Ms. Nash could take just a minute and explain to us what other jurisdictions are doing related to this particular—

• (0945)

**The Chair:** She's speaking after Ms. McLeod, so can she address it at that point?

**Mr. Brian Jean:** Yes, absolutely.

**The Chair:** Okay. Thank you, Mr. Jean.

Ms. McLeod, please.

**Mrs. Cathy McLeod:** Thank you, Mr. Chair.

I want to go back to the original point in terms of our fall schedule. Again, I think that what the priorities would be if there's any space in the fall schedule should actually be discussed in the fall. We know that probably from September through to December we are going to be very, very busy, but again, if there's an opportunity to do anything in addition to Mr. Hoback's study—or our study—on tap-and-go, which we've already agreed to do, then I think that's the appropriate time for that conversation to be held.

Again, I worry about us planning years into the future. I think we know what our schedule is for the next number of months, and again, if there's any opportunity, we can look at the priorities come fall, when we have an opportunity to look at the schedule in more detail.

Thank you.

**The Chair:** Thank you.

Ms. Nash, please.

**Ms. Peggy Nash:** Yes, there are just a couple of things.

First of all, to Ms. Glover's points, I don't know why we're debating the committee's motion on electronic payments, because that has been adopted. We're going to study that so we don't need to debate whether or not we're going to study it. We are going to study it. The discussion will be on how many meetings we have on it.

Concerning the question around international comparisons, I mean of course the global financial crisis was in effect caused by a personal debt bubble, and when the housing market crashed, it crashed economies around the world, so it's fairly important for us to take a look at it. Certainly, the International Monetary Fund and many other organizations have studied this issue, and I think their testimony and/or their reports might be relevant information for us to take a look at as part of a study here.

I think to our credit Canada has not had the same kind of—although we had a downturn in our economy and we were into recession—disastrous crash that other economies and other countries have faced. But we still see personal debt rising, so I think it is something that is of concern to Canadians and anyone who is in the

housing market. It's something they follow very closely, and they want to make sure that their elected representatives, especially on this committee, are on top of the issue and are keeping it front of mind.

I think it is absolutely something that we should consider and adopt as a study. While I think it's a pressing issue, if it's something that we can take a look at this fall, I think that would be prudent.

[*Translation*]

**The Chair:** Thank you.

Mr. Caron, the floor is yours.

**Mr. Guy Caron:** Once again, we come back to the question of time. We are always busy, whether with prebudget consultations or budget implementation bills. Our schedule is always very full. Everyone here recognizes that. The fact remains that, last year, despite the busy schedule, the committee had the time to hold 12 meetings to study charitable donations. That is an important question, I agree.

But I think that, despite its busy schedule, the committee could decide to do this study, a study that deals with this very important question that is a major concern for all Canadians. The question is whether the committee considers that dealing with household debt is a priority, yes or no. If it is, we will be able to find a way to build it into our schedule.

I encourage my colleagues to decide whether they consider that it is important, indeed a priority, to study this question. Personally, I think that the question is a priority. If they do not consider it appropriate for the committee to deal with it, they will vote no, but they will have to answer to Canadians for that decision.

• (0950)

[*English*]

**The Chair:** Thank you.

Unless I have further speakers I will call the question on Ms. Nash's motion.

(Motion negatived: nays 6; yeas 5)

**The Chair:** Colleagues, we will adjourn this meeting and then—oh, sorry.

Ms. McLeod.

**Mrs. Cathy McLeod:** I don't know procedurally, Mr. Chair, but reflecting on some earlier conversation I ask that we request the CRA to table or to forward to the clerk their response to the Parliamentary Budget Officer regarding the tax gap and put that into the file for the purposes of our study on tax evasion and the use of tax havens.

**The Chair:** Procedurally, if a member asks me as a chair I will ask the CRA. That's typically how I've done it in the past. I'm happy to ask on behalf of the committee.

**Mrs. Cathy McLeod:** Okay. The response from the CRA to the PBO for the purposes of our tax haven evasion budget would be appreciated.

Thank you.

**The Chair:** We will ask the CRA for that.

Thank you.

Mr. Côté.

[*Translation*]

**Mr. Raymond Côté:** Thank you, Mr. Chair.

I would like to submit a notice of motion to the committee.

[*English*]

**The Chair:** Is this a new motion?

[*Translation*]

**Mr. Raymond Côté:** Yes, it is a new one.

[*English*]

**The Chair:** Okay.

You can read it into the record then.

[*Translation*]

**Mr. Raymond Côté:** The motion reads as follows: That the Standing Committee on Finance undertake a study on the impact of increased customs duties proposed in Budget 2013 on the price gap between Canada and the United States and on policy measures that could be taken to reduce this gap, and that the committee report its findings to the House.

[*English*]

**The Chair:** Okay.

We'll take that as a notice of motion.

We will give it the 48-hour period.

I want my colleagues to stay for a couple of minutes. We're going to clear the room of all officials who can't be here for the subcommittee, and make changes in the room. If you stay in your seats for two minutes then I'll have a request of you.

The meeting is adjourned.

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