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# Standing Committee on Finance

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Chair: The Honourable Wayne Easter





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• (1530)

[English]

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

Welcome to meeting number 26 of the House of Commons Standing Committee on Finance.

Pursuant to the order of reference of March 8, 2021, the committee is meeting to study Bill C-14, an act to implement certain provisions of the economic statement tabled in Parliament on November 30, 2020, and other measures, for the first two hours. For the third hour, pursuant to the order of reference of February 3, 2021, the committee is meeting to study Bill C-208, an act to amend the Income Tax Act regarding the transfer of a small business or family farm or fishing corporation.

Today's meeting is taking place in a hybrid format pursuant to the House order of January 25, 2021. 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. So that you are aware, the website will always show the person speaking rather than the entirety of the committee. I would remind folks that they're not supposed to take photos or screenshots of the proceedings.

I will leave out a lot of the rest of the preliminaries, but I will remind you that members and witnesses should be addressed through the chair.

I'd now like to welcome our witnesses.

I will not at this time go through the departmental witnesses, but will welcome Minister Freeland and officials from the Department of Finance and others. They as well will be here for the presentation with Minister Freeland

Before you start, Minister, we are going to be interrupted by votes. Your ears might have been burning before you sat in your chair, because we were having a discussion about how we could ensure that you're here for an hour. I just don't know how this is going to complicate things, but maybe you could respond to that and then go to your remarks.

**Hon. Chrystia Freeland (Minister of Finance):** Thank you, Mr. Chair.

I am in your hands when it comes to how we handle the voting and my presence here. It's up to you how you do that. I will follow your lead, sir.

**The Chair:** Okay. I think we'll need unanimous consent to do this once the bells ring. We are under an obligation to hear the motion as well as vote, so if somebody could give us.... We'll deal with that when the bells start to ring. I'll have to ask for unanimous consent, but what I would suggest is that we continue to go to about 10 minutes before the vote. We have to click off our Zoom. If you want to get into the parliamentary Zoom, you have to click off this one, go on there and then back into this one. That's what I'd suggest.

Anyway, the floor is yours, Minister. Go ahead.

**Hon. Chrystia Freeland:** Thank you, Mr. Chair and members of the committee, for the invitation to be with you virtually today. Accompanying me virtually from the Department of Finance are Maude Lavoie, Dave Beaulne, Trevor McGowan, Lesley Taylor and Nicolas Moreau.

I'd like to begin by acknowledging that today is a sombre anniversary. It is one year since COVID-19 was declared a global pandemic by the WHO.

On this national day of observance, I know that all of us honour the memories of all those who have lost their lives to this disease, and we have the deepest compassion, I know, all of us in this committee, for their families and their loved ones.

To the extraordinary Canadians who have been serving on the front lines in our country's fight against COVID-19, to personal support workers in long-term care facilities, to all of our health care workers and to the essential workers keeping food on our shelves, from cashiers to truck drivers, let me just say thank you.

I'm happy to be with you, parliamentary colleagues, to talk about Bill C-14, which would implement several important and necessary measures from the fall economic statement, which I tabled last November 30.

[Translation]

For over a year now, Canadians have been coping with an unprecedented crisis that is still in progress. But spring is coming and there will be better days ahead.

Until we've got COVID-19 under control, our government will do everything it can for as long as it's needed to help Canadians get through the crisis. From the beginning of the pandemic, the Government of Canada has done everything in its power to get the virus under control and limit its economic impacts. So far, \$8 out of every \$10 spent in Canada to combat COVID-19 and help Canadians came from the federal government.

In the 2020 fall economic statement, we set out a detailed plan to protect Canadians, jobs and companies in Canada during the pandemic's second wave. We took rapid action to meet these commitments.

By supporting Canadian businesses, jobs and families, not only were we helping our communities get through a difficult winter, but also preventing economic after-effects. This support will allow for a full and robust economic recovery once the virus is totally under control.

Bill C-14 is an important component of our government's economic plan. It makes it possible to move forward with the emergency measures outlined in the economic statement designed to provide immediate assistance to families with young children, students and businesses, in addition to measures to protect the health and safety of Canadians.

● (1535)

[English]

When we debate Bill C-14, here is what is concretely hanging in the balance.

The fall economic statement announced a new \$1 billion safe long-term care fund to help provinces and territories protect seniors. Of this, Bill C-14 would provide \$505.7 million immediately, while our need is most urgent, to support long-term care facilities over the coming months to help prevent the spread of COVID-19 and to help prevent outbreaks and deaths in supportive care facilities.

In addition, we have proposed, through this bill, to provide up to \$395.6 million to support a range of health initiatives to help Canadians cope during the pandemic and to continue our fight against the virus with vaccine funding and development, testing and treatment.

The challenges brought on by this pandemic have caused great hardship for Canadian families with young children and brought unanticipated costs. Bill C-14 proposes to provide immediate relief for low- and middle-income families with young children who are entitled to the Canada child benefit by providing up to \$1,200 in 2021 for each child under the age of six. Families that have a net income at or below \$120,000 would receive four tax-free payments of \$300. Families entitled to the CCB who have a net income above \$120,000 would receive four tax-free payments of \$150, for a total benefit of \$600.

This temporary assistance would directly benefit more than 1.5 million families and more than two million children at a time when many are still grappling with the financial impacts of the pandemic.

If I can speak personally for one moment, I am hearing so clearly from my neighbours and constituents who have young children just how hard COVID is for them. I know we would all love to give them this extra support. As you all know, we can't get it to them until Bill C-14 receives royal assent.

[Translation]

Our government is also working to protect the future of students who had to leave school or who were unable to obtain summer internships or jobs.

Through Bill C-14 we will eliminate interest on repayment of the federal portion of Canada student loans and Canada apprentice loans for 2021-2022. This important measure will provide \$329.4 million to 1.4 million Canadians who are looking for work or who are in the early stages of their career.

● (1540)

[English]

The bill also formalizes an amendment to the Income Tax Act that will allow the Canada emergency rent subsidy to recognize rent payable as an eligible expense, provided certain conditions are met.

As members of this committee will recall, the Canada Revenue Agency is currently administering the rent subsidy with rent payable as an eligible expense. This is because the businesses relying on this subsidy told us that it was what they needed, and all of us listened. Not all small businesses have the cash flow to pay their rent on the first of the month with the reimbursement to come later. This bill ensures that those small businesses can get the support they need. Again, I'm sure we've all heard from small businesses in our ridings who really need that support.

Additionally, Bill C-14 authorizes payments to Canada's six regional development agencies for the regional relief and recovery fund. The government announced the \$962-million fund on April 17, and then expanded it to \$1.5 billion on October 2. As a next step, Bill C-14 proposes a further top-up, to \$2 billion, for this fund. It helps support businesses that for one reason or another are unable to access other federal pandemic support programs.

The point I'm making here is really simple: The measures in Bill C-14 are essential. Canadian families and Canadian businesses need this support to get through the crisis.

Colleagues, today let's set aside partisan sparring and work together to support the people all of us serve. I welcome vigorous debate, care and study. Indeed, debate has been central to Canada's response to COVID-19 so far. Our government has received constructive input from all parties, very much including all the members of this committee. I recognize the critical role parliamentary committees play in scrutinizing government legislation. I understand that the opposition's formal role is to oppose, and that delay forms part of the opposition tool kit in the Westminster parliamentary system. I get that. When I was first elected, I sat in the opposition benches. I asked questions in committee of the member for Abbotsford, who now sits in this committee with us all, when he served as trade minister.

That said, it is now time for us to move forward. Canadians need the concrete support this bill offers, and they need it urgently. At second reading, some of our colleagues on the opposition benches set partisan politics aside to do what is best for Canadians and supported the bill. I was frankly surprised that the Conservatives chose to do the opposite. I was surprised they did that even as they put forward an opposition day motion urging the government to support small business.

I say to my Conservative colleagues, on this committee and in the House, that—

**Mr. Pat Kelly (Calgary Rocky Ridge, CPC):** I have point of order.

**Hon. Chrystia Freeland:** Did you want me to wrap up?

**The Chair:** No. There's a point of order first.

Pat.

**Mr. Pat Kelly:** Yes, but she may have anticipated that. I would suggest that, speaking of delay, perhaps instead of going through the history of debate on the bill, it would be fantastic if the minister would like to add substance about the bill. Otherwise, let's just go to the questions, please.

**The Chair:** I think the minister is getting close to wrapping up.

Minister.

**Hon. Chrystia Freeland:** I sure am.

I spoke to the substance of the bill, the measures that are really important, personally important for me and for all of us, but it is really relevant to talk about how long it's taking to get this support to Canadians.

[*Translation*]

The purpose of Bill C-14 is to provide assistance to Canadians who need it during a difficult and unprecedented period. It should not be used for political advantage.

[*English*]

I urge this committee to conduct its examinations expeditiously and to join me in supporting the speedy passage of this essential legislation.

[*Translation*]

Thank you.

[*English*]

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

We will go to a six-minute round. The lineup will be Ed Fast first, followed by a split between Mr. Fragiskatos and Ms. Dzerowicz, then Mr. Ste-Marie and then Mr. Julian.

Mr. Clerk, could you inform us when the bells start to ring? I don't know whether we hear them in this format or not.

Mr. Fast, the floor is yours for six minutes.

• (1545)

**Hon. Ed Fast (Abbotsford, CPC):** Thank you, Mr. Chair.

Thank you, Minister, for appearing before committee.

I just want to remind you that this committee's work is not about delay and it is not about politics. It was unfortunate that you launched into a political attack just as you were claiming that this was not about politics. This committee's work is actually about scrutiny. It's about accountability and oversight. Our job is to do that.

Let me get into the questions. First, when will you be tabling a federal budget?

**Hon. Chrystia Freeland:** As I said in the House today, Mr. Fast, we have conducted extensive pre-budget consultations and had great input from Canadians. We will be tabling a budget in due course.

I would also point out that the fall economic statement included extensive financial information and projections.

**Hon. Ed Fast:** Your fall economic statement is not a budget. In eight days from now, it will be exactly two years since your predecessor tabled a federal budget, and that's two years that Canadians have been without a plan for our economy. That's the longest period in history that Canada has gone without a budget. Why?

**Hon. Chrystia Freeland:** Mr. Fast, I believe our country has been supported by a very strong plan throughout this unprecedented pandemic. Our government has said we will do whatever it takes to support Canadians and Canadian businesses, and we have done that. Thanks to the resilience and entrepreneurial spirit of Canadians, we are seeing the results.

In the fourth quarter of this year the Canadian economy grew by nearly 10%. That is better than what we saw from the U.S., the U.K., Germany, France and Italy. Our economic measures are working, and we're going to continue the course.

**Hon. Ed Fast:** Minister, I just remind you that in December our economy lost 53,000 jobs. Then in January we lost another 213,000 jobs, so somehow you're not getting the job done.

Let me turn to part 7 of Bill C-14—

**The Chair:** Mr. Fast, I will have to interrupt you for a minute. The bells are ringing, so we need unanimous consent to continue.

What I would suggest is that we continue to 10 minutes before the vote. I believe we will have to go to the parliamentary Zoom. This is still a new system, and people have to be in front of their camera if there's a glitch in the system. I would suggest that we go to 10 minutes before, suspend and come back, and hopefully the minister can come back with us and get through the hour.

**Mr. Pat Kelly:** Mr. Chair, I don't want to take up any more time than necessary here, but I think that's far more time than we need with the app. Could we not continue on through the entire period of the bells to allow each member a question, and then maybe stop for a minute or two to vote? If any member of the committee has a problem with the vote that would necessitate their connecting to raise a point of order to have their vote count, we could deal with that eventuality then. Otherwise, let's continue on with the meeting.

Furthermore, if there's no unanimous consent for that position, or in either event, I would like the minister to maybe commit that we will have a full hour with her either way.

**The Chair:** The minister is shaking her head yes, I believe.

**Hon. Chrystia Freeland:** Yes. I am happy to commit to that.

**The Chair:** Okay.

Can we get unanimous consent to go to 10 minutes before the bell—it's one vote—and then come back immediately following the vote? The minister will be here with us for the hour.

Is that agreed? Okay.

Mr. Fast, go ahead.

**Hon. Ed Fast:** Let me turn to part 7 of Bill C-14. That part effectively increases Canada's debt ceiling from \$1.17 trillion to \$1.83 trillion.

Am I correct, Minister? Just answer with a yes or no.

**Hon. Chrystia Freeland:** That was more than a yes-or-no question, and let me just say—

• (1550)

**Hon. Ed Fast:** No, I just asked whether you are increasing the debt ceiling from \$1.17 trillion to \$1.83 trillion. It's yes or no.

**Hon. Chrystia Freeland:** As I understand the rules, Mr. Fast, my answer can be the same length as your question.

Is that correct?

**The Chair:** That is correct.

Go ahead.

**Hon. Chrystia Freeland:** Let me just say a quick point on the jobs numbers, because I think those are something that all of us are deeply concerned about. I sure am. Let me say that today 636,000 Canadians who had a job before COVID struck don't have a job.

I think the most urgent priority of our government and this entire House needs to be to provide the economic support to get them back to work.

**The Chair:** We go back to Mr. Fast.

**Hon. Ed Fast:** Mr. Chair, she didn't answer the question.

Yes or no, is the debt ceiling going up by \$663 billion?

**Hon. Chrystia Freeland:** I'm delighted to answer that question, Mr. Fast. Yes, the limit that we are seeking with Bill C-14 is \$1.831 trillion.

**Hon. Ed Fast:** That figure is very exact, so you must know what it's going to be spent on, what you're going to use it for. Can you tell us exactly how that additional \$663 billion will be deployed?

**Hon. Chrystia Freeland:** As you know very well, Mr. Fast, having served in cabinet, a borrowing authority increase is not the same as spending authority. What it does is set a ceiling for how much the government can spend.

In terms of the composition of that number and how we got there, I would like to turn the attention of all committee members to page 141 and chart A2.3 in the fall economic statement. I can hold it up to show you guys the page. That has a very specific breakdown of how we got to that number.

**Hon. Ed Fast:** Mr. Chair, Ms. Freeland didn't actually answer the question. I want her to explain to Canadians the \$664 billion of

additional borrowing that she is asking Parliament for. Where will it be allocated, and how will it be spent?

Don't point to a chart. Tell Canadians who are watching this why you should receive effectively a blank cheque for \$663 billion?

**Hon. Chrystia Freeland:** Mr. Fast, I know that Canadians are really smart and really sophisticated and I urge everyone who's listening to this to look at page 141, chart A2.3, where how that borrowing authority amount is composed is laid out very specifically.

I want to address something very precise here. The increase in the borrowing authority is in no way a blank cheque. Every single expenditure by the government needs to be authorized by Parliament. The borrowing authority sets a transparent and accountable maximum limit as to how much the government can borrow.

**Hon. Ed Fast:** We know, Ms. Freeland, that in 2017 your government set a debt ceiling, which still left about \$200 billion of room to spend. You spent all of that, and then the pandemic hit. You spent beyond that because of the support that you quite rightly provided to Canadians, and by the way, those items you articulated, we strongly support that support for Canadians.

What we don't support is increasing the debt ceiling by \$663 billion without knowing exactly what that borrowing will be used for. You're saying you want a line of credit, a \$663 billion additional line of credit, but you're not going to tell us exactly where you're going to spend it.

I'm going to give you a chance again to explain to Canadians where you are going to be spending that money. How will you spend it, when will you spend it and are you going to spend all of it?

**The Chair:** If you could wrap that up in about 50 seconds, that would be great, Minister. We'll go to the next round.

**Hon. Chrystia Freeland:** Let me just say to Mr. Fast that I have far too much respect for him, and I really do have a lot of respect for him, to think that he really believes the borrowing authority is in any way equivalent to a blank cheque or a line of credit.

What the borrowing authority limit does is it sets a limit on the maximum amount a government may borrow. There is a quite separate process, which this committee is intimately involved with, for debating and authorizing the specific spending that the government undertakes, and I look forward to having that discussion with all of you.

Again, for interested Canadians and committee members, look at chart A2.3 for the composition of how we got to that \$1.8 trillion number for the borrowing authority limit.

• (1555)

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

We turn to Mr. Fragiskatos for three minutes and Ms. Dzerowicz for three.

Peter.

**Mr. Peter Fragiskatos (London North Centre, Lib.):** Thank you, Mr. Chair.

It's great to see you, Minister. Thank you for being here.

I want to ask you a question about pandemic preparedness. It's great to see that Bill C-14 takes this seriously. As we know and as we saw with COVID-19, pandemics can strike at any time and I think we have to be on guard and on watch for future pandemics.

I'm reading directly from the fall economic statement where it says that \$1.5 billion is proposed to procure PPE and provide warehousing and logistics support so that PPE can be delivered quickly, when needed, along with medical supplies to provinces and territories and indigenous communities, as well as to ensure the readiness of the national emergency stockpile.

Could you speak to the importance of that? I can't tell you the number of constituents who, over the past year, have asked what the government is doing to prepare for, heaven forbid, the next pandemic. What can we do to further ensure that Canadians are safe in that regard?

**Hon. Chrystia Freeland:** Mr. Fragiskatos, thank you very much for that question. I agree with you. It is a very important one and it is one that is very much on the minds of all Canadians.

You have referred to PPE. That's an important element. Clearly, vaccines are another very important element.

Let me speak to a third issue, which I think has become very clear to Canadians in the course of this pandemic, and that is biomanufacturing capacity here in Canada. We have fantastic researchers. We have fantastic life scientists in our amazing country. What we don't have enough of is the ability to actually manufacture the vaccines that they play a central role in developing. I'm thinking of Acuitas as an example, an amazing B.C. company that plays a key role in the development and the production of the Pfizer-BioNTech vaccine.

One of the things that our government is working on, in close collaboration with provinces and territories across the country, is stepping up our game and investing in biomanufacturing across the country, whether it is VIDO-InterVac in Saskatchewan, whether it is Medicago or whether it is the NRC. I think that's an effort that all of us will agree is important and that we need to continue down that path.

**Mr. Peter Fragiskatos:** It's great to see. I'm especially interested in the consultations that Minister Champagne has been carrying out, which I understand wrap up tomorrow, with the pharmaceutical sector to ensure that we have more of a domestic capacity, whether it's on PPE or vaccines. I think this is a lesson learned, not just for Canada but for all democracies. The domestic ability will be very important. However, it's great to see in Bill C-14 that this is being taken seriously.

Mr. Chair, I'll yield the remainder of my time to Ms. Dzerowicz.

**The Chair:** Ms. Dzerowicz, the floor is yours.

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

Thank you to the minister for being here with us, and thank you for your leadership.

My first question is regarding child care. For far too long, Canadians, women, have been calling for national child care. If we're looking to ensure full participation, or at least maximum participation, of our women, and indeed any parent with children, we need access to affordable, accessible child care.

How does Bill C-14 and the fall economic statement address this issue?

**Hon. Chrystia Freeland:** Thank you very much, Ms. Dzerowicz. It's great to see you.

That is such an important question, and in my opening remarks I spoke about the additional support that Bill C-14 would give to families with young children. I added a personal plea—not in my written remarks—because I have to say, my youngest child is now 11 and it is challenging having children, even in elementary school, in a pandemic. Virtual school is hard for kids, but my heart just goes out to all the young families in Canada with a child under six. It is so hard. I have had people, constituents, neighbours, just crying when they talk about how difficult it is.

As you know, one terrible consequence we've seen is women quitting their jobs, dropping out of the labour force because they just can't keep it all going. Bill C-14 will give those families with the youngest children in our country a bit of extra help. As we said in the fall economic statement, we really believe now is the moment for us as a country, after 50 years of talking about it, to finally put our shoulder to the wheel and to build universal early learning and child care across Canada.

Here, I do think all of us have to offer a chapeau, figuratively, to our colleagues from Quebec who have shown the way. They have shown that affordable, high-quality universal child care has a huge economic impact. Quebec has a much higher participation of women in the labour force than the rest of Canada, about 4% higher. There is a great economic benefit, not to mention that it makes life so much easier for families with young children.

• (1600)

**The Chair:** We are going to have to end that round there.

We'll go to Mr. Ste-Marie. At the end of the six minutes, we will suspend for the vote.

Mr. Ste-Marie.

[*Translation*]

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

Good afternoon, Madam Minister. I am delighted to see you here with our committee.

I'd like to begin with a few comments. I am very pleased that Bill C-14 is under study in committee today. Unless I'm mistaken, it's the first economic bill to be debated by the Standing Committee on Finance since the last election. We understand that it's urgent to act in a pandemic, but we've also found that it's beneficial to everyone for bills to be studied in committee, and that doing so enables Parliament, as the legislator, to perform its role effectively.

Bill C-14 implements a number of measures that were announced in the 2020 fall economic statement, which created great expectations for the next budget. Among other things, you mentioned a recovery plan of between \$70 billion and \$100 billion.

Madam Minister, I was really expecting this budget to be tabled in the final week of March during which we will be sitting. According to the media, this isn't going to happen.

Can you confirm that your budget will not be tabled in March?

**Hon. Chrystia Freeland:** Thank you for your question and for your hard work on all the economic issues. I truly appreciate it.

I don't want to announce the date of the budget today, but I can assure you here in committee that there will be a budget this spring. I agree with the members of this committee that it's important for our country. I spoke with you about your ideas on the budget, and would like to tell the members and financial spokespersons for each party that I'm very open to hearing what they have to suggest in connection with the budget. I believe that the budget needs to be for the whole country, because the pandemic has been affecting the entire country.

**Mr. Gabriel Ste-Marie:** Thank you for your response. It's much appreciated. Indeed, let's hope, with respect, Madam Minister, that it's a budget for all Canadians and not only a budget designed for an election campaign.

In the fall economic statement and in your opening address, you pointed out that 80% of extraordinary spending tied to COVID-19 came from the federal government rather than the provinces and municipalities. I would nevertheless like to remind you that it's a pandemic, a health crisis, and that health spending is covered to the tune of almost 80% by the provinces. In my view, the federal government is not pulling its weight. Since the last election, and even beforehand, the Bloc Québécois has been speaking out on behalf of the Quebec consensus, and now on behalf of the other provinces, to increase the federal share of health financing to 35%.

Is this a measure you are envisaging?

• (1605)

**Hon. Chrystia Freeland:** Thank you for your question, Mr. Ste-Marie.

With respect to support for families, individuals and businesses, the federal government has been there for Quebecers and all Canadians. We were happy for Canada to be in a financial position that made it possible to do so.

I would also like to point out that in the summer, we gave an additional \$19 billion directly to the provinces and territories under

the Safe Restart Agreement and an additional \$2 billion for reopening schools. The safe restart funding was in large measure for health spending by the provinces and territories to combat COVID-19.

As I mentioned in my opening address, Bill C-14 will provide more funding to the provinces. There will also be measures to help support residential and long-term care centres, or CHSLDs, because we understand just how important they are.

Last Friday, I had a discussion with the provincial and territorial ministers of finance, including Mr. Girard, Quebec's minister of finance. I was very happy, moreover, to be able to thank him publicly for his sincere and frank collaboration. He's an excellent colleague. We discussed what else the federal government might be able to do to help the provinces and territories, particularly with respect to combatting COVID-19. I told the ministers of finance...

[English]

**The Chair:** We are going to have to end it there.

We are at the end of time for Gabriel, and we're also out of time, Minister.

[Translation]

**Mr. Gabriel Ste-Marie:** We'll never know how this turned out now.

[English]

**The Chair:** We'll suspend. I am told that you can be in two Zooms at once. I didn't know that.

**Hon. Chrystia Freeland:** I didn't know that either, Wayne. I'm a little scared. My technical capacity might be stretched by that kind of effort.

**The Chair:** We'll try that. It might work and it might not, so each of you are on your own.

We'll suspend until after the vote, and the minister will have about 29 minutes with us.

The meeting is suspended.

• (1605)

(Pause)

• (1630)

**The Chair:** I will call the meeting back to order.

I don't see Mr. Ste-Marie.

We'll start with you, Peter, for six minutes.

**Mr. Peter Julian (New Westminster—Burnaby, NDP):** Thanks, Mr. Chair.

Thanks, Minister Freeland, for being here today. We hope that you and your family continue to be safe and healthy during this pandemic.



I want to say at the outset that I think it is absolutely inappropriate that we have gone two years without a budget. In Canadian history, we have had massive crises and we've never had a two-year period without a budget. It's a question of accountability.

Despite the fact that we're talking about the fall economic update and Bill C-14 today, the reality is that C-14 has areas where it doesn't respond at all to the needs of Canadians at this critical time during the pandemic.

I'll start with an issue that I have raised with you, which is the issue of subsidies that have been given that permit abuses. We raised this with your predecessor last spring. If we're going to give wage subsidies and supports for businesses, we need to put in place...as other countries did, to avoid abuses—like dividend payments, executive bonuses and stock buybacks—of government funds.

We have seen a whole range of abuses taking place with government funds. There's Bell Canada, which received \$122 million and laid off hundreds of workers and are still paying dividends. Suncor laid off a couple of thousand people.

Here is a critical issue. You referenced it in your opening remarks when you talked about \$505 million for long-term care. Extendicare, Chartwell and Sienna Living paid out, collectively, over \$172 million in shareholder dividends, despite the fact that they were receiving massive and significant government subsidies. During this time and up until now, over 760 residents and workers have died in their facilities.

I think it is obvious to anyone that instead of being paid out in dividends, that money should have gone to resident care and to support the safety of their workers.

My question is very simple. Do you agree that there was a major mistake made in not ensuring that abuses like this couldn't take place? Why wasn't this loophole closed in Bill C-14?

**Hon. Chrystia Freeland:** Thank you, Mr. Julian, for raising all of those important issues.

I'll start with the wage subsidy. If I have time, I'll say a couple of things about long-term care.

On the wage subsidy, I hear your concerns. It is important for companies to understand that, legally, the wage subsidy can only be used to pay employees. It can't be used for any other purposes. Any allegations of misuse should be reported to the CRA. There are penalties for misuse of the wage subsidy. It is an additional 25% penalty and potentially imprisonment, in cases of fraud.

It was and is important for us to have that support out there, but we do take abuses seriously.

The other thing I would say about the wage subsidy is that my priority, at the end of the day, is to keep as many Canadians working as possible. Our supports—and I would say the ingenuity and resilience of Canadians—mean that we are getting through this unprecedented global pandemic.

However, at the end of the day, there are still 636,000 Canadians who don't have a job today who had one before the virus hit. For that reason, our objective has been and continues to be to have in

place the most comprehensive set of supports we can to keep people working. The wage subsidy is a really important program in that regard because it keeps people connected to their jobs.

As you know very well, Mr. Julian, that is so important for a person's sense of self-worth and dignity. Also, if one becomes long-term unemployed, it is much harder to get back into the workforce. That's the rationale there.

I could say more about long-term care, but I see you wanting to talk and maybe I've run out of time.

• (1635)

**The Chair:** We will have to go to Mr. Julian.

Go ahead.

**Mr. Peter Julian:** Thank you.

You talked about comprehensive supports. Here's another example: part 2—student loan payments. Despite the fact that the NDP steered through a motion, which passed unanimously, for a moratorium on all student loan payments, what we have is just a moratorium on interest.

Students are struggling. People with disabilities are struggling. These are situations that are well known to Canadians right across this country. The NDP has also proposed supports going immediately to people with disabilities, far beyond the partial payment that was made this fall and that took nine months to occur.

Why didn't the fall economic statement ensure that there was a moratorium on all student loan payments and that there were adequate supports in place for people with disabilities?

**Hon. Chrystia Freeland:** Mr. Julian, I'm really glad you raised students. In my opening remarks, I singled out the importance of Bill C-14 in allowing us to provide more support for students. It is really important to me, and you're right to raise the issue.

What I would say, collectively, is that we need to understand that the three groups that have been hardest hit by losing their jobs are youth, women and low-wage workers—particularly racialized and new Canadians. We need to be sure that our support is targeted there.

**The Chair:** Thank you both. We'll go to a five-minute round, first with Mr. Fast and then on to Mr. McLeod.

Ed, you have five minutes.

**Hon. Ed Fast:** Thank you.

Minister, earlier in this meeting you referred to chart A2.3. You suggested that it explained everything. It explained spending, it explained borrowing and it explained how much money was going to be allocated to a certain area.

In fact, Canadians can't see this chart. You and I can see the chart, and if you look at it, I think you'll agree with me that all this chart does is explain that the government is going to borrow another \$663 billion.

Would you agree with that assessment?

**Hon. Chrystia Freeland:** No, Mr. Fast, I'm afraid I would not.

Let me just say a couple of things. Canadians can see this chart because it was published in the fall economic statement. It's available to anyone who would like to go online and look at the fall economic statement. For wonkish people who are watching our deliberations, let me point you to page 141 and chart A2.3.

What this chart shows is how we got to the number of \$1.831 trillion for the borrowing authority we are seeking. It shows the composition of it, and I think that was important to show and people should refer to it. I can go through the chart, if people would like.

• (1640)

**The Chair:** We'll have to go back to Mr. Fast.

Mr. Fast.

**Hon. Ed Fast:** Minister, you have confirmed what I just said. This is all about how much the government is going to borrow. It says nothing about where it's going to spend that money, and that's why we need a budget.

For two years you've neglected to deliver a budget and an economic plan for the country that would outline what you expect in terms of tax revenues, what you expect in terms of debt servicing costs, what you expect in terms of spending, what programs you're going to spend on, what fiscal anchors you're going to put in place to make sure that this doesn't get out of control, economic growth projections.... None of that is in this fall statement, yet you're asking us to increase the borrowing limit by \$663 billion without any idea of where you're actually going to spend that money.

**Hon. Chrystia Freeland:** Mr. Fast, there's a lot in there. Let me parse it and respond to the various points you've raised in the time allotted.

To your first point, that the borrowing authority is quite different from a budget, you are 100% right, Mr. Fast. That's a really important distinction. In seeking an increase of the borrowing authority, we are being extremely transparent. We are saying that this is the upper limit up to which the government may borrow.

We are not saying that the government will undertake those borrowings, nor are we saying anything about government spending. That's entirely separate. That happens through the fall economic statement. It happens through Bill C-14, which we're debating today, and it will happen through the budget. That's entirely right.

**Hon. Ed Fast:** Minister, your government blew through its previous debt ceiling within a couple of years—way beyond it. In fact, you exempted certain spending for COVID relief and that was appropriate, but you blew through it. Now you're suggesting to Canadians, “Yes, but if you give me \$663 billion, don't worry. I won't blow through that line of credit.” Why should Canadians trust you with that?

**Hon. Chrystia Freeland:** Mr. Fast, you've answered your own question with your previous question. It's very important to make a clear distinction, as you did in your first question, between the borrowing authority and actual spending authorities. We are very clear on that distinction. Canadians should be clear on it too.

The only other thing I would say is that, when it comes to spending authorities, our government has been clear that we believe, during COVID, it is important to do whatever it takes to support Canadians and Canadian businesses. We're open and transparent about that. I hope that all members of this committee will agree with that. Canadians need us to be there for them. That's why they made Bill C-14.

**The Chair:** We'll need a quick, snappy question and a quick, snappy answer.

**Hon. Ed Fast:** I'll just make a comment.

We fully support the support measures that are contained in C-14. What we do not support is part 7, which dramatically increases Canada's debt ceiling without any oversight or accountability.

You're simply saying, “Give me a blank cheque and then trust me.” We just cannot do that, Minister. In fact, Minister, we are very disappointed that you wouldn't sever part 7 from C-14. That would allow us to support Bill C-14 and all the good measures that you've contained in there.

**The Chair:** We're going to have to end it there, Ed.

Does the minister have a quick response, or are we on to the next questioner?

**Hon. Chrystia Freeland:** I have a very quick response, Mr. Chair, which is simply to say, with really great respect for Mr. Fast, that the characterization of the borrowing authority limit as a blank cheque is simply false. This is a transparent and open authorization of a level up to which the government may borrow. Spending authorizations are separate.

**The Chair:** Thank you both.

We have Mr. McLeod, followed in a two-minute round by Mr. Ste-Marie.

Mr. McLeod, you have five minutes.

**Mr. Michael McLeod (Northwest Territories, Lib.):** Thank you, Mr. Chair, and thank you to the minister for appearing in front of us and having an open discussion on so many things over the last while.

I represent the Northwest Territories. A year ago we were very nervous. We didn't know what the outlook was. The pandemic was declared, and we spent a very difficult year trying to make sure everybody was looked after. We're now starting to see light at the end of the tunnel. Vaccines are being rolled out, and here in the north it looks like we'll have everybody vaccinated by at least April.

The combined work of the Government of the Northwest Territories and the Government of Canada can only be described as a success in keeping the cases down and the death numbers low. The low numbers in the north have allowed us to do more than what our southern neighbours were able to do. For us in the north, we were able to keep all our schools open. We allowed businesses to stay open. I think for that we should all give ourselves a collective pat on the back.

The Government of the Northwest Territories just announced fairly recently that of the \$156 million that was spent in the Northwest Territories to address COVID, \$123 million of that was covered by the Government of Canada. That's the reason we were successful. The assistance that the territories received from the federal government is the major reason we were able to operate the way we have.

Our economy varies by degree. We have some people who did well all through the pandemic and others who have struggled, and then there are some who are really in trouble.

Back in June, the Government of Canada increased the borrowing limit for all three territorial governments to ensure that they could continue to have the fiscal flexibility to manage the economic pressures caused by COVID. I'd like to ask if the minister could explain how Bill C-14 similarly seeks to make sure the Government of Canada has the fiscal flexibility it will require.

• (1645)

**Hon. Chrystia Freeland:** Thank you, Mr. Chair.

Thank you, Mr. McLeod—Michael, as I call you in less formal settings. It's great to see you.

You prefaced your remarks by explaining to us a little bit about how things are going in the Northwest Territories and how people have handled COVID. You suggested a collective pat on the back, and let me just say, speaking from the south, to you, Mr. McLeod, and to all the people of the Northwest Territories, I think all of us in the south should be patting all of you on the back.

The way that the Northwest Territories has handled this global pandemic is really admirable and a real example for the rest of the country. The approach you took required a lot of sacrifice from individual people in the Northwest Territories. It required an acceptance of some real restrictions on travel outside of the territories, and you guys are quite rightly reaping the benefits of that disciplined approach. I collectively pat you all on the back. Bravo.

You're also quite right—

**An hon. member:** But—

**Hon. Chrystia Freeland:** Did you want to respond, Mr. McLeod?

**Mr. Michael McLeod:** No, keep going.

**Hon. Chrystia Freeland:** Okay.

Mr. McLeod, I was also going to say that you're quite right. We have been working closely with the governments of the Northwest Territories, Yukon and Nunavut, and have increased their borrow-

ing authorities at the territorial level. They have put in important measures to fight COVID, and we've supported them in that.

Part of Bill C-14, as we have been discussing, is an increase in the federal government's borrowing authority. We legislated our government that every three years we would publicly and transparently review our borrowing limit. That three-year timeline is up, and that's why we have now come to Parliament and this committee to say that we need to increase the borrowing authority limit so that the government has the space to continue fighting COVID.

**The Chair:** Do you have a very quick question, Michael?

**Mr. Michael McLeod:** Yes. I think the minister is aware that the different regions of the country are emerging from the pandemic at different rates. I'd like to know how the government is giving the necessary resources to regional development agencies so that they can meet the changing needs of local economies across this country.

• (1650)

**Hon. Chrystia Freeland:** That's another great question.

Bill C-14 includes an additional \$206.7 million for the RDAs precisely to meet that need.

**The Chair:** Thank you.

I know we'll soon be running out of time, so it will be two minutes to Mr. Ste-Marie, two minutes to Mr. Julian, four minutes to Mr. Falk, and four to Ms. Koutrakis.

Mr. Ste-Marie.

[*Translation*]

**Mr. Gabriel Ste-Marie:** Thank you, Mr. Chair.

Madam Minister, there is currently a debate among economists about the recovery plans. I'll stick to the bare essentials to keep my question short.

On the one hand, Lawrence Summers and Olivier Blanchard say that we need to be careful and stop stimulating the economy to prevent any risk of inflation and interest rate increases. On the other, Paul Krugman and Kenneth Rogoff argue that the recovery plan is essential to stimulate the economy and that there is no likelihood of inflation or higher interest rates, at least not in the short or medium term.

From your standpoint on the Canadian economy, what's your position on budget policy and how it relates to the recovery plan?

**Hon. Chrystia Freeland:** That's an excellent question, Mr. Ste-Marie.

I have spoken directly with Mr. Summers and Ms. Yellen, who have been participating in the debate.

My view is that the debate needs to address another question as well. It's not only a matter of government spending, but also a question of what is covered by this spending. As an economist, you know very well that an expenditure that is an investment in the country's economic capacity is very different from an expenditure that does not constitute such an investment.

As for the level of spending for Canada, I must say that one of the first questions we look at is whether it will add to the country's capacity for economic growth, and if so, whether it will create jobs.

**Mr. Gabriel Ste-Marie:** Thank you.

[*English*]

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

Mr. Julian, you have two minutes.

**Mr. Peter Julian:** Thanks, Mr. Chair.

Page 126 of the fall economic statement, annex 1, forecasts significant cuts in program expenses, starting the next fiscal year on April 1. Other countries have looked to address the issue of pandemic spending by putting wealth taxes in place or by increasing the corporate tax. We've seen those announcements, yet in the fall economic statement, no measure puts in place a wealth tax or addresses the endemic pandemic profiteering that we are seeing. However, we know that Canadians are going through misery in so many cases and need investments that will continue through the next fiscal year.

I'm perplexed by this approach. We have other countries putting in place wealth taxes, excess profit taxes, looking to address overseas tax havens and raising the corporate tax rate. In the fall economic statement, in Bill C-14, there's no reference to that in any meaningful way.

Are you looking to change direction in the budget so that those investments can be put into place and in doing so, will you heed the call for tax fairness that so many people have raised across the country, ensuring that the immense profiteering we've seen during this pandemic is addressed with the billionaires and the banks that have received so much in profit and so much increase in wealth having to pay their fair share?

**Hon. Chrystia Freeland:** I'm going to offer two responses.

When it comes to our thinking about the budget, our overarching priority is jobs and growth. More than 600,000 Canadians who had a job before the pandemic don't have one today. That's a tragedy for each person and for their families. I wake up in the morning and I think about how we can get those jobs back. The answer in my view is economic growth.

When it comes to taxation, I would disagree with you in characterizing the measures announced in the fall economic statement as being not weighty. We will levy a tax on the international digital giants, and there is real momentum at the OECD to get this done. The Biden administration has created an opportunity to get this done at the multilateral level. That is huge. That is transformative for the international tax framework, and our government is very involved in this.

Finally, because I see our chair moving around in his seat a little, when it comes to overseas tax havens and tax avoidance, I very much agree with you. At a time when so many Canadians have suffered, we have to have zero tolerance for tax avoidance and tax evasion, and our government is committed to that and to strengthening those rules.

• (1655)

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

We'll go to Mr. Falk for four minutes and then to Ms. Koutrakis.

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

I asked the minister my question during QP so I'm going to cede my time to Mr. Kelly.

**The Chair:** Okay.

**Mr. Pat Kelly:** Yes, and I'll probably give Tamara a chance too.

Minister, are businesses that opened in March 2020 eligible for the highly affected sectors credit availability program?

**Hon. Chrystia Freeland:** If what you're getting at, Mr. Kelly, is the question of newly formed businesses not being able to get access to all government programs, you're quite right that they're not.

There has been a real effort to strike a balance between having integrity of programs by not creating incentives for people to create vehicles to receive government support, and supporting businesses. This is substantive. I believe we need to support newly created businesses, not only with HASCAP but with the rent subsidy, with wage support, and I would like you guys to help me do that.

**Mr. Pat Kelly:** Thank you. I appreciate your candour. That was the first time any minister in this government has given a straight answer to that question, which has been asked repeatedly since last spring.

With that I will let Ms. Jansen ask a question.

**The Chair:** Ms. Jansen, you have a fair bit of time. You have three minutes.

**Mrs. Tamara Jansen (Cloverdale—Langley City, CPC):** Thank you.

Ms. Freeland, Canadian women entrepreneurs want to know why you waited until Monday to announce a special panel to deal with this disastrous "she-cession". Did you actually delay until International Women's Day so you could make a big announcement?

**Hon. Chrystia Freeland:** Ms. Jansen, I'm very glad to have you mention the creation of our task force on women in the economy. We are going to have our first meeting this week. I am really looking forward to it.

I'm glad to hear you talk about the she-cession. Women are one of the groups that have been the hardest hit by this COVID recession, and we're committed to supporting them.

**Mrs. Tamara Jansen:** You're saying that you have not had a single meeting yet. This has been going on for months and months. That just blows my mind.

These women—and I'm thinking especially of independent travel advisers, whom I've been meeting with constantly—are barely hanging on. They're desperate for a concrete plan. They need people to be allowed to travel again.

Under what conditions will you finally open the border? Will it be when Canadians are 50% vaccinated?

**Hon. Chrystia Freeland:** There are a bunch of questions jammed in together there.

Let me just say that, absolutely, I have been holding many meetings and conversations with women entrepreneurs and with women economists. Our government is putting support for women at the centre of our economic policy and our fight against COVID.

When it comes to the border and travel, our priority is and needs to be protecting the health and safety of Canadians. That is what we are doing right now. If other parties disagree with that, then I think it's important for other parties to be open with Canadians that this is their position.

• (1700)

**Mrs. Tamara Jansen:** Then, under what conditions will you finally open the border? Is it when we're 75% vaccinated?

**Hon. Chrystia Freeland:** Canada's border policy is guided by science, and Canadian borders will be reopened when it is safe for them to be fully reopened. That's the reality.

I also want to say, when it comes to the border, particularly with the Canada-U.S. border, a real success, and this speaks to Canada and the U.S. working together—

**Mrs. Tamara Jansen:** I'm really short on time. I'm wondering if—

**The Chair:** Hold on, Ms. Jansen. We'll let the minister finish. We'll give you the time.

Minister, you can finish.

**Hon. Chrystia Freeland:** A very important success that we should all note has been to limit non-essential travel but to allow trade to continue.

**The Chair:** This is your last question, Madam Jansen.

**Mrs. Tamara Jansen:** Madam Minister, I have one more question. Do you even have a list of criteria prepared, or are you just going to wing it like all the other pandemic response measures so far?

**Hon. Chrystia Freeland:** Ms. Jansen, our response to the pandemic has been to do whatever it takes for as long as it takes to support Canadian families, Canadian jobs and Canadian workers. When it comes to health measures, we take those in close consultation with scientists and in working very closely with our provincial and territorial partners. The border is an issue that we have discussed at great length with our provincial and territorial partners. We're acting together.

**The Chair:** Thanks to both of you.

Ms. Koutrakis, you have four minutes to wrap it up.

[*Translation*]

**Ms. Annie Koutrakis (Vimy, Lib.):** Thank you, Mr. Chair.

Thank you, Madam Minister, for being with us this afternoon. I'd like to thank you for your dedication and leadership during these rather demanding times.

In Vimy, affordable housing is an extremely important concern, particularly for vulnerable populations, like women who are victims of spousal abuse. I take pride in seeing that many Vimy organizations received support under the rapid housing initiative.

Can you explain why \$1 billion in additional funding was required under the rapid housing initiative in the fall economic statement?

After that, can you tell us what you think our affordable housing situation would be like without this supplementary funding?

**Hon. Chrystia Freeland:** Ms. Koutrakis, thank you for your tireless work and your very important question.

I completely agree with you. In the riding of Vimy, and elsewhere in Canada, there has always been spousal violence and violence against women.

However, during the crisis and the accompanying lockdowns, we've observed a tragic increase in such violence. The lockdowns were and continue to be particularly dangerous for women and children. That's why it was very important for our government to invest in helping women who were victims of violence to find a place where they could take shelter. This was very important and I'm proud of our efforts so far.

However, Ms. Koutrakis, I completely agree with you that we need to continue with this essential work. Everyone has made sacrifices during the lockdown, but some people have been put directly in harm's way. We have an obligation to help them.

**Ms. Annie Koutrakis:** You previously explained to the committee that you had been attending many meetings with organizations that help women.

Can you explain how a sound action plan for women would strengthen the economy as a whole?

**Hon. Chrystia Freeland:** That's another excellent question.

The most important thing to understand is that the economic crisis we're experiencing today is different from the other crises we have had. The current economic crisis is nothing like the 2008 crisis, for example.

It has hit women, young people and low-income workers hard. That's why it will be important for the economic response to be tailored to the crisis we are experiencing. That's also why it's so important to have an economic response and a recovery plan that targets women, young people and low-income workers.

• (1705)

**Ms. Annie Koutrakis:** Thank you very much.

**Hon. Chrystia Freeland:** Mr. Chair, I'd like to add something.

[*English*]

**The Chair:** Please be quick.

**Hon. Chrystia Freeland:** Very quickly, I will just add this.

[*Translation*]

Ms. Koutrakis, I would further add that if women are not participating in the economy, then we can't have true economic growth. So by helping women, we would be creating economic growth for everyone.

[*English*]

**The Chair:** Thank you both, and thank you, Minister, for taking the extra time to give the committee an hour, with the complications of the vote.

We even had a good discussion about guitars and pianos in the waiting zone there.

**Hon. Chrystia Freeland:** Don't forget the bagpipes.

**The Chair:** Yes, and the bagpipes.

On behalf of the committee, I'd certainly like to thank you for appearing before us. We no doubt will see you again. You have received the pre-budget consultation report that we sent in, so we wish you luck in establishing your priorities as we move as quickly as possible to a budget.

With that, thank you very much. We will release you and turn to the officials.

**Hon. Chrystia Freeland:** Goodbye, everyone.

Thank you very much, Mr. Chair.

Thank you very much, parliamentary colleagues. I appreciate your hard work.

**The Chair:** Thank you.

The officials are here. I'll quickly go through the list so we know who's here. We have an hour with officials.

We have, from the Department of Employment and Social Development, Atiq Rahman, assistant deputy minister; and Steven Coté, executive director.

You could raise your hands, so they know who you are.

From the Department of Finance, we have Maude Lavoie, director general; Dave Beaulne, director general, legislation; Trevor McGowan, senior director; Lesley Taylor, senior director; and Nicolas Moreau, director general.

With the Department of Health, we have Edward de Sousa, acting chief financial officer; Jocelyne Voisin, associate assistant deputy minister; Monique Frison, acting assistant deputy minister; and Greg Loyst, director general, policy and regulatory strategies.

From the Department of Western Economic Diversification, we have Barbara Motzney, assistant deputy minister.

Those are the officials.

**Mr. Pat Kelly:** I have a point of order. I just want to address how we conclude this meeting.

We're behind schedule because of the votes. We had planned an hour for officials and an hour to hopefully complete the PMB for Larry. Some of our officials are here for both.

I wonder how we might proceed on this. We could maybe have officials be prepared to take questions on either bill and, at the conclusion of an hour, I would at that point ask if we could then go to clause-by-clause on Mr. Maguire's bill.

I'll put that out there and let you respond, Mr. Chair, as to how we might accomplish both of these things today in this meeting.

**The Chair:** We can take an hour with officials and still have a half an hour left for Bill C-208, or we could go 45 minutes with officials and take 45 minutes or thereabout on Bill C-208.

There is one official who is the same. Trevor McGowan from the Department of Finance is on both panels. Shawn Porter, who will be here for Bill C-208, is a different witness.

I think we'll have to deal with Bill C-14 first. We'll take 45 minutes to see where we're at, and then we'll go from there.

Does anyone have any remarks to start? I wasn't told there was. Do we just go directly to questions?

Gabriel Ste-Marie, you had your hand up. Do you have a question?

• (1710)

[*Translation*]

**Mr. Gabriel Ste-Marie:** Yes, but Mr. Fragiskatos put up his hand before I did.

He can begin, and I'll speak afterwards.

[*English*]

**The Chair:** I don't see his hand up now.

**Mr. Peter Fragiskatos:** I had put it down, Mr. Chair. Mr. Ste-Marie is kind.

I was going to raise a point, but I think you dealt with it.

With due respect to Mr. Kelly, I don't think we can. They are two separate things. We're here to hear officials on C-14.

**The Chair:** Go ahead, Mr. Ste-Marie.

[*Translation*]

**Mr. Gabriel Ste-Marie:** Thank you, Mr. Chair.

I'd like to thank all the officials, senior officials and employees here with us today.

Personally, I have a lot of questions about Bill C-208 and only a few about Bill C-14.

I would suggest that we continue with our questions about Bill C-14 until 5:30 and then move on to our questions about Bill C-208 from 5:30 to 6:30 with the other representatives, as scheduled.

[English]

**The Chair:** Okay, we're trying to find a compromise here.

Let's start with questions on Bill C-14 first. There are a lot of officials here, and I know they've been waiting quite a while.

We'll start with Mr. Fast. What I'll do is cut the questions down to four minutes so that we can get more people in. We'll go to about 6:40 my time. That's 5:40 in Ottawa.

Mr. Fast, go ahead for four minutes.

**Hon. Ed Fast:** Actually, I had my hand up also on that same point of order.

Mr. Ste-Marie had just made a suggestion on how these two bills should be handled. I'm not sure where you actually landed on this, Mr. Chair.

**The Chair:** I think if we give a half-hour to this discussion on Bill C-14, that will put us at about 5:40 Ottawa time. That will give us about 50 minutes for Bill C-208.

**Hon. Ed Fast:** That's great. Thank you.

**The Chair:** You're on, Mr. Fast, for four minutes, followed by Mr. Fraser.

**Hon. Ed Fast:** All right.

To the officials, you were present when I asked questions of the minister about chart A2.3, which basically sets out the borrowing capacity that is being asked for in Bill C-14. Can you give me any further insight, line of sight, into how this borrowing would be deployed? When I look at the chart, I'm seeing about \$323 billion of, effectively, unallocated money. At some point in time we're going to have to have a clear idea of where it's going to be deployed or spent.

There's the \$100-billion stimulus piece. That's the only piece that actually has any indicator as to where it will be spent. We have no clarity on that, either.

I'd be interested to hear from our officials exactly how that borrowing capacity will be deployed. It's expected to all be used up over the next two to three years. Am I understanding that correctly?

**The Chair:** Who wants to take that?

Mr. Moreau.

**Mr. Nicolas Moreau (Director General, Funds Management Division, Financial Sector Policy Branch, Department of Finance):** Thank you, Mr. Chair. I can take this one.

Basically, when you look at the chart that was presented by our minister earlier, this represents the borrowing needs of the Government of Canada but also the Crown corporations. To that number we add, basically, the \$100 billion that you referred to for the stimulus package. We also add a 5% buffer, just to take into consideration the fact that there's a lot of uncertainty surrounding fiscal projections.

To your question specifically on how this money will be deployed, I think I need to refer you to the budget. In the budget, basically, we present the expected spending and revenue for the next three years. That has been used in order to build that figure.

In terms of details, I think the best reference will be the budget text, but also, basically, the corporate plans that have been in place by the different Crown corporations in Canada.

• (1715)

**Hon. Ed Fast:** Thank you for that explanation. You've just touched on what the hot-button issue here is, and that is the budget. You've referenced the budget. The budget and the spending authorities really should come as one package. In this case, the borrowing authority has been separated out. It's like putting the cart before the horse. We have a budget that's supposedly coming, but it hasn't come for two years. However, the government wants us to trust that it's going to use that borrowing authority wisely. We have no track record or reason to actually trust it.

Again, I'm wondering why it is that the budget still hasn't been tabled, yet even you, as finance officials, are linking the borrowing in Bill C-14 to what might come in the budget. I'm puzzled, unless I misunderstand this.

**Mr. Nicolas Moreau:** Mr. Chair, I can take this one again.

I should have been clear. Basically, this is based on the fiscal forecast that had been presented in the fall economic statement of 2020. If you recall, in this document we did show a fiscal projection for the medium term. Based on those figures, this is how we've been able to, basically, forecast what will be the expected financial requirement and the expected debt limit that we want to set for the government.

**Hon. Ed Fast:** A fiscal forecast is not a budget. Isn't that correct?

**Mr. Nicolas Moreau:** A fiscal forecast is based on forecasts of revenue and spending based on already.... To your point, a fall economic statement is not a budget. You're right.

**The Chair:** It's your last question, Ed.

**Hon. Ed Fast:** Thank you.

Can I ask, has your department been asked to consider what fiscal anchors might be deployed to make sure that, in the long run, the finances of our nation are sustainable going forward and don't become a huge burden on future generations? If so, can you just briefly mention what those fiscal anchors might be?

**Mr. Nicolas Moreau:** Thank you.

At this time, I think the priority, as mentioned by our minister, is to take a look at the COVID situation. I'm not working at the department that is in charge of looking at fiscal anchors or at any other targets that we have for our debt. I don't have an answer to this question, sadly. I am sorry.

**Hon. Ed Fast:** Really...? Wow.

**The Chair:** Okay. Just to be clear here, the Borrowing Authority Act and the budget are two separate pieces. Am I correct?

**Hon. Ed Fast:** Yes, I agree, but they are inextricably linked and should be done in context. Quite frankly, what we need is a budget to let us know why that borrowing authority is required in the first place.

**The Chair:** Okay, then we do agree.

Mr. Fraser, you have four minutes, roughly. Then we'll go to Mr. Ste-Marie.

**Mr. Sean Fraser (Central Nova, Lib.):** Thank you, Mr. Chair.

My first question really stems from the minister's comments on the Canada child benefit, which is going to see an extra \$1,200 flow to certain families who are below the \$120,000 income threshold, and additional supports that may not be quite as generous for families who earn more but nevertheless qualify.

I'm curious about this additional money to families. How quickly will it be able to flow once this bill receives royal assent?

**The Chair:** Who wants to take that? You'll have to yell, because I cannot see everybody on my screen.

Ms. Taylor, do I see you?

**Ms. Lesley Taylor (Senior Director, Social Tax Policy, Tax Policy Branch, Department of Finance):** Mr. Chair, I can try that one.

Thank you for the question. I think one thing that's important to recognize—and the minister touched on this—is that royal assent for the legislation is a prerequisite for these payments to flow. The rationale for that is obviously that this is creating a new draw on the consolidated revenues of the government, and a prior legislative basis for making those payments needs to be established.

The Canada Revenue Agency is responsible for administering these payments. They will be looking to get them out as soon as they can, but they do have to take into account their other obligations in terms of delivering other payments to Canadians. What I understand is that they will make their best efforts to get the payments out within a few weeks of the royal assent date, likely towards the end of the month. Subsequent payments would then flow as per the legislation in April, July and October of 2021.

• (1720)

**Mr. Sean Fraser:** Excellent. Thank you very much. I think it's encouraging to hear that once this passes, support could flow to families within a matter of weeks. That's really remarkable. Thank you.

There are certain amendments to the Canada emergency response benefit that are included in this legislation. My understanding is that because the initial program was authorized to issue payments during the previous calendar year, there are some people who are entitled to benefits who can't receive them quite yet.

Can you confirm that this is the case and explain how this bill will actually allow money to flow to CERB recipients who are entitled to certain benefits?

**Mr. Steven Coté (Executive Director, Skills and Employment Branch, Department of Employment and Social Development):** Sure. I can take that one.

As you know, as you just said, the Public Health Events of National Concern Payments Act provides authority up until the end of the year, December 31, to pay for those who applied for CERB benefits. This bill amendment will allow the authority to continue until March 31, to allow those payments to be made.

**Mr. Sean Fraser:** Excellent. How many CERB recipients who currently can't access the funding they may be entitled to are we talking about?

**Mr. Steven Coté:** The majority of CERB recipients have received their payments. A number of recipients who required additional verification are still being processed. They are the ones who would ideally be paid for this once the authority is put in place.

**Mr. Sean Fraser:** Do you know how many people are currently going through the verification process?

**Mr. Steven Coté:** I don't have the exact number. CRA would have to confirm.

**Mr. Sean Fraser:** Thank you very much. Is there any time remaining, Mr. Chair?

**The Chair:** Yes. You have one more minute.

**Mr. Sean Fraser:** Sure. I'll go down my list and pick one of the many questions I have left.

I wanted to discuss the regional relief and recovery fund. Over the course of this pandemic, many of the government's emergency programs have changed to reflect the changing circumstances in the economy or the length of the pandemic. Certain changes included expansions of the Canada emergency business account.

Is it the case that this bill would expand the regional relief and recovery fund for businesses that may not have qualified for CEBA, so that they can have equivalent support through the RRRF? In addition, once this bill passes, will that support be ready to flow to businesses that may need these supports?

**Ms. Barbara Motzney (Assistant Deputy Minister, Policy and Strategic Direction, Department of Western Economic Diversification):** Absolutely. The regional development agencies have received some 31,000 applications for \$2.95 billion since the beginning of the program. They're still coming in strong. We get about 480 applications a week for a total of about \$46 million a week. There's absolutely continuing demand.

This program was introduced as a backstop for other COVID relief programs. As CEBA evolved to go from \$40,000 to \$60,000, so will the funding in this bill allow the RRRF to mirror that program change. We will continue to be a backstop for the other COVID relief programs.

**Mr. Sean Fraser:** Will the money from this bill be able to flow immediately upon its adoption?

**Ms. Barbara Motzney:** Absolutely. As I mentioned, we have a lot of applications in-house. We're currently processing them, and as soon as the money is available, I assure you it will flow.

We've helped some 19,000 businesses across the country, with \$1.4 billion so far out the door, and we definitely have applications and approvals ready to go.



**Mr. Sean Fraser:** Thank you.

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

Mr. Ste-Marie.

[*Translation*]

**Mr. Gabriel Ste-Marie:** Thank you, Mr. Chair.

I'd like to begin by sincerely thanking all of you here among us for the remarkable work you've accomplished in these strange times. It's been a year now, today. You have never let up, and that makes a big difference. Thank you from the bottom of my heart.

My questions are for the representatives of the Department of Finance. Perhaps you, Mr. Moreau, could answer them. Otherwise, please direct me to whichever of your colleagues is the most appropriate person to do so.

In the 2020 fall economic statement, the government announced that it would be introducing a reimbursement of expenses for energy-efficient renovations. That was approximately four months ago.

Will this program be available before the next budget, or has its implementation been delayed so that it can be linked to the budget?

• (1725)

[*English*]

**The Chair:** Does anybody from the Department of Finance want to give that one a roll?

[*Translation*]

**Ms. Maude Lavoie (Director General, Business Income Tax Division, Tax Policy Branch, Department of Finance):** Good afternoon.

I'd just like to mention that the officials online at the moment are not those who worked on this program. We'll have to get back to you later with an answer.

**Mr. Gabriel Ste-Marie:** Okay. Thank you, Ms. Lavoie, for your answer. If you could tell us in writing when the program will be available, it would be greatly appreciated.

My second question is also about the 2020 fall economic statement. I'll probably get the same answer to this one.

The Association des personnes handicapées visuelles de Lanaudière, an organization in my riding, asked me about funding from the Centre for Equitable Library Access. On page 154 of the French version of the 2020 fall economic statement, it says in the table that assistance will go from \$4 million for the next fiscal year to zero dollars in 2024-25, decreasing gradually by \$1 million per year. These people are truly worried about this.

What was the reason for this decision?

**Ms. Maude Lavoie:** Unfortunately, once again, the people who could answer that question are not online.

**Mr. Gabriel Ste-Marie:** Okay.

Mr. Chair, I will stop now so that we can move on to the study of Bill C-208 a little more quickly.

Thanks to everyone.

[*English*]

**The Chair:** I know Elizabeth May had one question, but I believe she's gone.

We'll go to Mr. Julian.

[*Translation*]

**Mr. Peter Julian:** Thank you very much, Mr. Chair.

I'd like to add my voice to my colleagues' to thank all the witnesses for the work they have done during this pandemic. We hope that they and their families remain safe and sound during the pandemic.

I have a few questions, Mr. Chair, and it might take more or less time. It will all depend on the answers. So I hope you'll cut me a little slack over the next few minutes.

[*English*]

I want to start by following up on the minister's comments around the emergency wage subsidy program and that the improper use of it, such as dividend payments, stock buybacks and executive bonuses, is something that is not tolerated.

I would like to know a couple of things on that. First off, do we have an indication from the ministry of finance what the rate of non-compliance is? How are those cases of non-compliance generated? Is it complaint-based or is it something that is investigated, for example, when there are articles in the Financial Post, where dozens of companies were cited that had paid out dividends and received massive amounts of subsidies at the same time?

Then, what is the process, whether the complaint is from the outside or is flagged internally? Do you contact the company? Do you issue a notice? Are you investigating or is there an attempt at prosecution?

This is my global question. What are you doing in response to these widespread complaints about improper use of wage subsidy and other government programs by very profitable Canadian corporations?

**Mr. Trevor McGowan (Senior Director, Tax Legislation Division, Tax Policy Branch, Department of Finance):** Thank you for the question.

The administration of the wage subsidy and the investigation of compliance related to it is the responsibility of the Canada Revenue Agency. The Department of Finance works on policy, preparing legislation, and the design and implementation of the wage subsidy and other income tax matters. The Canada Revenue Agency handles the investigation and would have compliance statistics.

One thing that would perhaps be a good idea to clarify is that the wage subsidy itself is based upon a reimbursement model. When an employer pays an employee wages, they get a certain per cent of that back under the wage subsidy program, assuming they qualify. By the time an applicant for the wage subsidy receives their refundable tax credit—the amount of the subsidy—they've already paid the wages to which it relates. That's the relationship between the wage subsidy and the payment of wages. Because it comes afterwards, there isn't that same question about whether or not a wage subsidy received will be spent on wages in the future.

In terms of general compliance—for example, in cases where people are making fraudulent claims—the statistics and the responsibility for enforcing that would lie with the Canada Revenue Agency.

● (1730)

**Mr. Peter Julian:** Do they not share any information with you? Are you not aware of any issues around non-compliance?

**Mr. Trevor McGowan:** I don't have those at my fingertips right now. I don't know if my colleague, Maude, has that with us. I simply don't have it with me, as it is not directly related to the amendments in Bill C-14.

**Mr. Peter Julian:** Could you provide those figures to the committee?

If there are internal figures, I would be surprised that CRA is not sharing them with the ministry of finance. That would be a normal practice.

**The Chair:** Ms. Lavoie, did you want in?

**Ms. Maude Lavoie:** I just wanted to confirm that it's not data I have in my possession. We would need to get back to you, Mr. Julian, as to whether or not we can provide that data.

As Mr. McGowan was saying, this data would reside with the Canada Revenue Agency.

**Mr. Peter Julian:** On the issue around tax evasion and the question with the fall economic update, what modelling did the government use to support the assertion that measures to combat international tax evasion and abuse would result in \$1.4 billion in revenue recovery over the next five years?

Can you share that modelling forecast with us?

**Ms. Maude Lavoie:** This is not a question that directly relates to the bill, so unfortunately, this is not information that those on the line have. We'll also need to get back to you on that question.

**Mr. Peter Julian:** Thank you.

**The Chair:** Okay. We will move on. We'll have to split eight minutes between Mr. Kelly and Ms. Dzerowicz.

Mr. Kelly.

**Mr. Pat Kelly:** All right.

Actually, I'm going to yield my time to Ms. Jansen. She has some questions that I know she wants to ask.

**The Chair:** Ms. Jansen, go ahead.

**Mrs. Tamara Jansen:** I think these are for the finance officials here.

The Business Council of Canada said, "The pandemic ignited an explosion in public spending and debt. The federal debt-to-GDP ratio was 30 per cent before COVID-19 but now [is over] 50 per cent." They're clear that what we need is an economic growth strategy, rather than a stimulus strategy.

Since we were told by the finance minister that the stimulus package was pre-loaded—that's why we spent so much more than the rest of our G7 partners—are we going to be growth-focused going forward?

**The Chair:** I will turn to officials, but if it's a policy decision of the government, officials can't answer that. They can answer questions on things that are in Bill C-14, but if it's a policy position of the government, we can't expect officials to answer to that, and I think that's one.

Go to your next question, Ms. Jansen.

**Mrs. Tamara Jansen:** Okay.

Where is the relief for the failing sectors? How is it possible that we're one year in and we still haven't supported the air sector?

**The Chair:** Does somebody want to take that? That is a policy decision as well. I think the minister said they are working on that. Does anybody have any ideas that they can table on the discussions with the airline sector? I see Mr. Moreau shaking his head.

Okay. We'll go to a third one, Ms. Jansen.

**Mrs. Tamara Jansen:** I'm sorry. I cede my time.

**The Chair:** Okay.

Do you have anything you want to ask, Mr. Falk, maybe a single question? I'll come back to you if you want to think about it.

**Mr. Pat Kelly:** Mr. Chair, I am ready. I have a couple of questions. I'll jump in with those. I'm sorry about this.

**The Chair:** Go ahead, Pat.

● (1735)

**Mr. Pat Kelly:** My question is for the officials from WD who we have here. It's on the RRRF program. Are enterprises that opened and commenced operations last March eligible for this program?

**Ms. Barbara Motzney:** Thank you very much for the question.

The RRRF is a liquidity-based program, so it's based on your operating needs. The funding allocation is decided based on your operating deficit. When the program was launched, companies that came into operation after March wouldn't have had an operating deficit upon which to base funding. In a way, they're not eligible, but it wouldn't really be the right tool to support them.

**Mr. Pat Kelly:** Okay. The answer is no.

**Ms. Barbara Motzney:** That's correct.

**Mr. Pat Kelly:** That's correct. Then is there any official who could...? We have the answer from the minister, which was a surprising admission, given how many times the question has been asked previously. Is there anything contemplated out there?

I understand that these are political decisions for the minister, but for any of the departmental officials who are here, can they shed any light on this or give any sense of this? For a business that spent perhaps all of 2019 building a plant, building a restaurant or building premises and draining all of their capital, with a March 1, 2020, opening date, say, is there any aid measure available or any program that has criteria a business like that could apply for?

**The Chair:** Does anybody want to take that one?

I would throw in here. I'll give an example. I think all of us on the finance committee—and maybe most members—have had this same concern about new businesses that don't qualify. As Pat said, we're going back to the considerable time spent developing the business. They don't qualify. I had one this week or two weeks ago. It's the exact same business, but a son and dad incorporated in December 2019 and don't qualify because now they have a new business number.

Those are concerns that as members of Parliament we're all getting. I would ask officials to think about it.

Do you have anything else, Pat?

**Mr. Pat Kelly:** No. I'm happy to go to the next speaker so that we can get to Bill C-208, but that's an important consideration for officials who advise our policy-makers.

**The Chair:** Thank you.

Ms. Dzerowicz, you have four minutes, and we'll let you wrap it up.

**Ms. Julie Dzerowicz:** Thanks, Mr. Chair.

I want to thank all the officials for being here today. Thanks so much for your dedication and your hard work through this unprecedented time, which we all hope will be over sometime soon.

I have two sets of questions. The first is around the Canada emergency rent subsidy. The businesses in my riding of Davenport, and I'm sure right across this country, were super happy when they could apply for the rent subsidy directly to the government.

With regard to the two questions I have, one is that, if I understand correctly, if Bill C-14 is to pass, the rent subsidy would become an eligible expense. Does that mean that a business can apply for the rent money in advance of actually having to pay the rent? That's question one.

My second part is that I believe that under CECRA, the first version of the rent subsidy, there were 140,000 small businesses that received the first version of the subsidy. Can you give me an idea of how many small businesses actually receive this rent subsidy now?

**The Chair:** Who is up for that one?

**Mr. Trevor McGowan:** Thank you for the question. I'll let my colleague Maude Lavoie discuss the statistics on the uptick for the rent subsidy.

You're absolutely correct. The rent subsidy currently, that is, before the application of Bill C-14, requires an amount to have been paid, and then the subsidy is based upon rent that has been paid, similar to the earlier discussion of the wage subsidy.

What the measure in Bill C-14 would do is allow an applicant for the rent subsidy to obtain the rent subsidy based on an amount that has become due but has not yet been paid. There is, of course, a requirement that the amount actually be paid. However, it would help cash flow for business applicants for the rent subsidy by allowing them to make their rent subsidy applications based on an amount due, to obtain the subsidy and then use that to pay at least a portion of their rent.

• (1740)

**Ms. Julie Dzerowicz:** Thank you for that.

**The Chair:** Ms. Lavoie, is there anything you want to add?

**Ms. Maude Lavoie:** Yes. Regarding your question on the number of applications for the Canada emergency rent subsidy, according to the CRA website, so far they have approved 470,000 applications for this program. Of course, some of those businesses may have applied for more than one period of the program. In terms of unique applicants, that's 134,000.

**Ms. Julie Dzerowicz:** Thank you so much.

My next question is about mental health and supports for that. I believe there are some additional mental health supports and funding within Bill C-14. Can someone outline the key mental health supports that would flow if it were passed?

**The Chair:** Who's on? That will be the last question.

Can anybody take that?

**Ms. Jocelyne Voisin (Associate Assistant Deputy Minister, Strategic Policy Branch, Department of Health):** Hi there. It's Jo Voisin from Health Canada.

**The Chair:** Go ahead, Ms. Voisin.

**Ms. Jocelyne Voisin:** There is funding in Bill C-14 to support mental health. There's funding to flow to Wellness Together Canada, which is an online portal and provides 24-7 support for Canadians' mental health. You can text, phone and confidential video chat in both official languages and over 200 dialects.

There's that part of the support, and then there's also support for the Public Health Agency of Canada for substance abuse and harm reduction prevention programming. Those two initiatives are supported through this bill.

**Ms. Julie Dzerowicz:** Thank you.

**The Chair:** We will have to end it there and go to Bill C-208, based on the previous agreement.

I want to sincerely thank officials. They took a lot of their time this afternoon for probably only 40 minutes of questions.

I think Mr. Ste-Marie said it right: We thank you from the bottom of our hearts for your efforts.

When we look back a year ago, when the calls were set up at night, there were always officials on those calls. For the government to roll out a program, it meant we were going to have to fix it as we went, and you were the folks trying to fix it and make the changes. Members of all parties had the opportunity to question you folks well into the night on those calls. I want to sincerely thank you for what you have done for the country over the last year, and thank you for your efforts going forward.

With that, we will release all the witnesses except Mr. McGowan, and I believe Mr. Porter is here now as well.

Thank you very much.

**The Chair:** We will now go to Bill C-208, Mr. Maguire's bill, an act to amend the Income Tax Act regarding the transfer of a small business or family farm or fishing corporation.

We have, from—

**Mr. Pat Kelly:** Wayne, I'm really sorry to interrupt you again. If I may, just for clarity, the notice of this meeting did not include the clause-by-clause vote on the bill. It was our understanding that this was the reason we swapped our schedule, so that we could actually dispense with this bill and complete it today. If a motion is required to add that, I will move that now.

I would like to have questions with officials, but at the same time I think it's critical that we actually complete our committee responsibilities to this bill today. I don't know what time frame you want to put on it. Could you give us the plan for the next 45 minutes? If that requires a motion, I will make the motion.

• (1745)

**The Chair:** Okay. I see Mr. Ste-Marie on this.

Just to answer Pat's question first, Gabriel, I do think we certainly need to hear from officials. If their points show that there should be amendments made to this bill, and it's the will of the committee that we should see amendments, then we probably wouldn't go to clause-by-clause today. If it's not seen that there are needed amendments, we would go to clause-by-clause today. I have the form here to know in what order we vote.

**Mr. Pat Kelly:** Okay. How will we determine...?

**The Chair:** Could we hear from the witnesses first, raise some questions and leave 15 minutes at the end to deal with your motion then?

**Mr. Pat Kelly:** Yes.

**The Chair:** Gabriel, are you okay with that? Okay.

All right, Mr. McGowan or Mr. Porter, I don't know who's on deck to say a few words.

**Mr. Shawn Porter (Associate Assistant Deputy Minister, Tax Policy Branch, Department of Finance):** Mr. Chair, I'll start, if that's fine.

**The Chair:** That's great.

**Mr. Shawn Porter:** Our plan was that I would spend a few minutes providing a little bit in the way of opening remarks and context-setting around Bill C-208, and then I would turn it over to Trevor to provide a little more detail, in the form of examples, to help illustrate the key points we'd like to make today.

Does that work for the committee?

**The Chair:** Yes. Go ahead.

**Mr. Shawn Porter:** I have just a handful of observations. I know the committee has heard from a number of witnesses and is pretty familiar with the content, the purpose and the policy underlying Bill C-208, but to level-set, it's obviously intended to facilitate intergenerational transfers of a business that are otherwise caught by a surplus-stripping rule under the existing tax system.

What is surplus stripping? That is an important context-setting question.

Surplus stripping occurs when an individual shareholder reaches into a corporation to access its surplus in a manner that produces a capital gain at the personal level rather than a dividend. The normative expectation is that a corporation would earn income that forms part of surplus and be distributed to the individual shareholder as a dividend. When steps are taken to achieve that kind of result not in the context of a sale of those shares to an arm's-length person, then this section 84.1 rule, which you're all becoming quite familiar with, steps in to characterize that capital gain as a dividend.

That's the starting contextual point, the foundational principle.

Building on that just a little, the rule applies to corporate surplus that is accessed by a parent through a corporation owned by a child. The reason that's the result is that the parent and the child are related for purposes of the tax rules and, for purposes of this surplus-stripping rule, are essentially treated as the same economic unit. There has been no disposition of shares to an arm's-length person in that context. Corporate surplus has merely been accessed by the individual shareholders. The tax system doesn't care who they are if they're related or not dealing at arm's-length.

That's important context as well, the parent and the child, because this is the point we're taken to where surplus stripping bumps up against an intergenerational transfer, which is the point underlying Bill C-208. We know and accept that, in some cases, it could be more attractive to sell the shares of a business corporation to an arm's-length person than to a child, in the expectation that the sale of those shares to an arm's-length person would produce a capital gain whereas there are circumstances in which the sale to a child would produce a dividend.

Trevor will get into the differentials in a little more detail, but again, the context is that those dividends are likely going to be taxed in the mid to high 40% range, and a capital gain in the mid to high 20% range. There is delta of around 20 percentage points as it relates to realizing corporate surplus in the form of a capital gain in the hands of an individual rather than a dividend. That's a fairly significant benefit, and needless to say, one that is sought after in the context of ordinary-course tax planning.

The key point we want to bring to the committee's attention as it relates to your deliberations around Bill C-208 is that, if there is a decision to except from the surplus-stripping rule a genuine intergenerational transfer, say, on neutrality grounds—neutrality in terms of producing the same result as the sale to an arm's-length person—I'm not going to comment on that policy point at the moment, but if that decision were taken, one needs to be mindful of the boundaries that are established between what constitutes surplus stripping and what constitutes a real intergenerational transfer of a business.

In other words, we wouldn't want to make an amendment to the act that would open the system up to vulnerability in the form of a parent being able to access corporate surplus through a corporation owned by a child if that was not in the context of a real or genuine intergenerational transfer of a business. In the hallmarks for assessing whether there has been a real, genuine intergenerational transfer of a business, one would look to the terms and conditions that would be reached between arm's-length parties in the context of the sale of a business and to what extent those terms and conditions exist as between any transaction that might be undertaken between a parent and a corporation owned by a child.

• (1750)

The legislative challenge is in how to delineate in legislative language those boundaries so that the real intergenerational transfer situation could be protected, but at the same time, the system isn't opened up such that it becomes vulnerable to relatively more aggressive or abusive forms of tax planning.

The final point that I would make, before I turn it over to Trevor, is just to remind the committee that this issue only arises when the shares of a small business corporation or a business corporation generally are sold by a parent to a corporation owned by a child. There are no impediments under the tax system to an intergenerational transfer of a business carried on in unincorporated form, whether a sole proprietorship or a partnership. Indeed, there are no impediments under the tax rules to the sale of shares of a business corporation to a child in circumstances where the child does not seek to use the corporate surplus of the acquired company to finance the acquisition itself. That's where the rub occurs.

It's the accessing of the corporate surplus to finance the acquisition by the child that arises at this awkward intersection point between surplus stripping and a transaction that looks like a genuine intergenerational transfer of a business.

With that, I know we'll have ample opportunity for questions.

I would turn it over to you now, Trevor, for a slightly more detailed walk-through with some illustrations and some examples to help highlight that critical point around establishing the boundary.

**The Chair:** Mr. McGowan, please go ahead.

**Mr. Trevor McGowan:** Thank you.

I'd like to build upon what my colleague Shawn has already said about the context of the anti-surplus-stripping rules in section 84.1 and the intended purpose of the proposed amendment in Bill C-208, and then discuss how it would apply, looking at the specific legislative proposal.

I'll skip ahead to clause 2. I will mention clause 1 a little bit later, but clause 2 is the one that really deals with intergenerational transfers. It applies where a parent transfers shares of a corporation to a corporation controlled by their child or grandchild. There's a fairly simple trigger for that relief to be provided when it applies. That is the deeming of the purchaser corporation to not be dealing at arm's-length, which effectively turns off the anti-avoidance rule in section 84.1.

The difficulty or some of the challenge with the measure in the bill is how precisely targeted it is to get at what you'd think of as a real intergenerational transfer of a business. Of course, it deals, as I said, with the transfer of shares of a corporation owned by a parent to a corporation controlled by the child. It does not intrinsically deal with the real transfer of the business that is being carried on.

That level of abstraction from the actual business—where a parent wants to hand it over to their child or to their grandchild, so they can carry it on, keep it going, continue building it and continue running the business—is not directly provided in the bill due to this abstraction, just looking at transfers of shares going from one to another. It's that lack of precise targeting that I think we want to highlight as being a concern with the measure.

I could provide a few more details on that. In particular, the rule doesn't require the child, after the transfer, to be involved in the business in any way. It doesn't require the parent to cease to be involved in the business after the transfer of the shares. In fact, the parent could simply wind up the business right after the transfer.

There is a requirement that the purchaser corporation that gets the transfer shares be legally controlled by the child at the time of transfer. "Legally controlled" is generally defined for tax purposes to mean that the child could elect a majority of the board of directors. However, it does not prevent the purchaser corporation from being factually controlled by the parent. Likewise, it doesn't provide that the child will necessarily have any economic exposure to the shares being transferred. In fact, it does not require the child to retain ownership of the purchaser corporation after the transfer.

The requirement that shares be transferred to a purchaser corporation controlled, at the time of transfer, by the parent, is somewhat abstract, but I think it's worth noting the points of departure between that and what you'd normally consider to be a real transfer of a business to a child.

Why do these matter? They matter because while it is generally described as facilitating an intergenerational transfer in certain cases that Shawn set out—basically a transfer of shares to a corporation owned or controlled by the child—it would also open the door to facilitate tax planning, generally for high-net-worth individuals.

Shawn was mentioning the tax rate differential between capital gains and dividends in this anti-surplus-stripping rule. That's at the heart of it. In particular, as Shawn said, for a top-marginal-rate individual in Ontario, that might be the difference between around a 47% tax rate on dividends going down to a tax rate of 26% or so on capital gains.

- (1755)

Likewise, if the parent is able to access the lifetime capital gains exemption, as they would with some fairly simple planning, it could drive their tax rate down to zero. They would effectively be able to extract retained earnings from the corporation they control and continue controlling the corporation, continue running the business. The child need not necessarily have any involvement in the business after the transfer. To the extent their lifetime capital gains exemption is available, their tax would go from, again, for a top-rate Ontario resident—just to use as an example—47% down to nil.

Even in circumstances where a lifetime capital gains exemption is not available, say either because it's already been used up or because the corporation that carries on the business has more than \$15 million in taxable capital—as I understand, a component of the rules would provide a grind to prevent a lifetime capital gains exemption from being accessed for larger companies—you would still have a rate delta, as Shawn said, of around 20 percentage points.

That is obviously going to be the most valuable for high-net-worth individuals who are subject to the top marginal tax rates and for individuals who want to extract a sizable amount of money from their corporation, such that the tax savings would be enough to more than offset the transaction fees of putting these kinds of complex arrangements into place.

I'd be happy to walk the committee through exactly how these transactions can be structured. The gist of it is that the parent has shares of a corporation, transfers them to a child or a company owned by the child in exchange for a promissory note. The parent's company pays the child's company an intercorporate dividend, which of course is tax free, and that dividend is then used to repay the promissory note that was used to purchase the shares. In that way, the money gets out of the corporation; you have a capital gain if the anti-avoidance rules of section 84.1 don't apply; and the individual is able to, instead of paying dividend rates, pay the much lower capital gains rates or nil if the lifetime capital gains exemption is applied.

That, hopefully, gives a bit of a flavour about the slight disconnect in the rules. When we look at the legal form of a transfer of shares by a parent to a company owned by their child, there's that bit of a factual disconnect between that and the real bricks-and-mortar transfer of an actual business to their child that the child continues to carry on.

I had mentioned earlier that I wanted to touch on clause 1, as it is different from clause 2. Clause 2 relates to intergenerational transfers and provides an exception for the anti-surplus-stripping rule in section 84.1. Clause 1 doesn't really relate to intergenerational transfers of a business. Rather, it relates to a different anti-avoidance rule, but it relates to siblings.

Just like for an individual moving from a dividend rate down to a capital gains rate means a tax savings, for corporations, transfers between corporations, if they can essentially transmogrify or change a capital gain into a dividend, intercorporate dividends are generally not subject to tax and so they're able to avoid tax in that way. That's what's called capital gains stripping generally. Section 55 is an anti-avoidance rule intended to prevent that.

There are a couple of important exceptions. One of them is that if you have a corporate reorganization between related parties, then you can move amounts around among your corporations. As long as it's all in the same group, there won't be any negative tax consequences.

- (1800)

This measure would allow siblings to escape the application of the anti-avoidance rule in section 55. As a result, one sibling would essentially be allowed to transfer their stake in the business to the other sibling without triggering this anti-avoidance rule that could result in capital gains treatment. It would provide a tax deferral on that sort of transfer between siblings. Again, it's not intergenerational and is dramatically different, which is why I did it in that order. I hope that provides a bit more of a flavour of what clause 1 does.

That, I think, provides a bit of an overview of the bill and some of the observations that we at the department have made about its technical operation. Shawn and I would be happy to answer any questions you might have.

- (1805)

**The Chair:** Okay. We'll go to questions.

I'm not sure who's up first on the Conservative side. Who wants to go first there, Pat?

Just let me ask you this question, Mr. McGowan, first. I know the committee wants to move with this bill today. I think that's pretty likely. It's the third time that this bill has come forward in Parliament from three different members over the years, starting with the Liberals, the NDP and now the Conservatives. It's basically the same bill.

How difficult is it to fix? Can it be fixed? What kinds of amendments are required in order to cover off what you folks believe is a concern? If it were carried here today, the only amendments that can happen in the House, as I understand it, at report stage, are things that require a royal recommendation or a ways and means motion by a minister.

Could it be fixed at that stage if the committee were to carry it as is today?

**Mr. Trevor McGowan:** Thank you for that question, Mr. Chair.

I, of course, can't speak to the government's intentions about what fixes it might wish to do or anything like that. I can point to the fact that addressing this sort of intergenerational transfer is in the Minister of Finance's mandate letter. It is something that we, as department officials, are looking at.

In terms of whatever fixes would be needed, I would just go back to my earlier comments and say that the fundamental issue we have identified is this disconnect that I was trying to describe from a real transfer of a business as people would ordinarily understand it, where a parent carries on a business and for one reason or another they want to transfer it to their children or their grandchildren, and the next generation starts to carry on that business.

It's that fundamental disconnect between that factual situation on the one hand and, on the other hand, the approach of this measure looking solely to a transfer of shares from one individual to a corporation owned by their child, without really connecting the legal form with the real underlying story behind it. It is certainly something that we believe can be addressed.

In terms of the bill, hopefully, I've gone through and provided enough of an overview of the fundamental issues with it. I don't know if Shawn had anything to add to that. I think that's about as much as I could think to share.

**The Chair:** Shawn, did you have anything you wanted to add?

Then I'll go to Mr. Kelly, Mr. Fragiskatos, Mr. Ste-Marie and Mr. Julian. There will be one question each.

**Mr. Shawn Porter:** It's just a quick point, Mr. Chair, to emphasize the complexities that Trevor and I have been speaking to around the boundary, and to answer your question around the extent of amendments.

Surplus stripping is a challenge for governments generally. There's a lot of case law on the point. It's a very difficult delineation to make at the best of times. I would only observe that one would want to be careful in making amendments to a surplus-stripping regime that would provide a road map for taxpayers to shoehorn their way into that exception and out of the regime. It's really just a further sounding of caution around how important it is to get that boundary right.

**The Chair:** I didn't see your hand up there, Mr. Fast. Did you have something?

Okay. We'll go to Mr. Kelly, then, for a question.

**Mr. Pat Kelly:** It's only a brief comment, and I'll give the time to Mr. Fragiskatos, if he has questions.

I only want to say that the points that were raised are important ones. They are ones that were anticipated and on which we had pretty good testimony from other experts on Tuesday to indicate that these are issues that can be dealt with within the bill as it is. I urge members to support it.

• (1810)

**The Chair:** Mr. Fragiskatos.

**Mr. Peter Fragiskatos:** Thank you, Chair.

This is to whichever of the officials wants to take it.

The other day, as you may know, we had witnesses speak to this very issue. A number included tax experts. One was Kevin Wark from CALU, the Canadian association of life underwriters.

I asked Mr. Wark about what seems to be a gap in the bill. I think Mr. McGowan just spoke to this matter briefly a few minutes ago.

It is the lack of requirement in the bill for the parent to cease to be involved after the transfer.

This is what Mr. Wark put back to me when I asked him his thoughts on that issue. I quote here from the meeting the other day, Mr. Chair.

We engaged an outside consultant who was involved in consulting primarily on arm's-length transactions of private businesses. He indicated that in the majority of those situations, the selling owner was obligated to continue in the business because of the transfer of information and relationships. To differentiate that from a family transfer doesn't seem to make sense. It would make more sense for the business owner to have some role to play longer term to ensure the business continues to be successful.

Our argument is that they should not necessarily control the business after the transfer, but they should continue to be able to play a significant role.

Maybe this is to Mr. McGowan. I'm not sure, but are there any thoughts on that perspective? Is this a reasonable rebuttal that was offered in response to this concern about the lack of requirement that I'm talking about?

**Mr. Trevor McGowan:** Thank you for that question. It's a good one. It's a good illustration of a point that Shawn was making earlier, that these are hard lines to draw and have to be done with careful thought, being mindful of real business transactions and what really happens when a business is transferred. It's finding the right balance.

As Mr. Wark said in his comments, it would be a somewhat extreme rule that said that when you have a transfer, you have to shutter the doors and the parent is not allowed in the building anymore, as of the date of transfer. That, of course, goes pretty far.

At the same time, you have at the other end of the extreme some provisions, such as the ones we've been discussing today, that have no requirement that the parent cease or restrict in any way their involvement in the business and, in fact, have no requirement that the child have any involvement in the business or that there be any sort of transfer between the two.

Part of the hard work that we're thinking about, consistent with the Minister of Finance's mandate letter, is the balancing of these kinds of practical considerations, so that you can have a real inter-generational transfer that reflects what actually goes on.

It is a fair point that in many cases it's not a hard break, such that at the date of transfer the keys are given, as when you buy a house, and the parent is no longer involved at all and the child completely takes over. It makes sense for there to be some overlap, and that is something that I think a set of rules would need to think about.

On the other extreme, however, it seems that when you have an inter-generational transfer of a business, some diminution in the role of the parent, coupled with the child's actually taking over the business, is an integral part of it. That really is a lot of the difficulty in coming up with a nuanced and complete set of rules to deal with it.

**Mr. Peter Fragiskatos:** Thank you very much.

If—

**The Chair:** I'll have to go to Mr. Ste-Marie and then Mr. Julian. Mr. Ste-Marie.

• (1815)

[Translation]

**Mr. Gabriel Ste-Marie:** Thank you, Mr. Chair.

The bill before us is very important. Since being elected, I have met quite a few owners of family businesses, farming and non-farming, who were having a horrible time of things. It's a serious matter and they were in deep trouble. We've heard from a group of witnesses, and they all told us that we needed to forge ahead and that the situation made no sense. I know that it's a complex matter from the legislative and other standpoints. We certainly need to take the points that you've made into consideration. I wouldn't want to just hear that it's all very complicated and then find that nothing is being done. It's an urgent problem and the bill should be adopted.

From my point of view, as it's written, Bill C-208 would deal with the situation. After that we could examine the Hansard transcriptions, the debates in the House and the committee evidence to understand the intent of the bill. It's been said many times that we wouldn't want this bill to provide an opportunity for people who are cheating to avoid paying taxes. Its purpose is to facilitate intergenerational business transfers. Government regulations could spell out the details, and if there are problems, we could deal with those afterwards. But it's really essential to forge ahead.

The Quebec finance minister, Mr. Eric Girard, came to the Grand Joliette chamber of commerce before the pandemic, and said he couldn't understand why it hadn't been dealt with in Ottawa yet, when it had in Quebec.

Gentlemen, you've been working on that and you've been able to look at the model used in Quebec, which has guidelines.

What's the problem with what Quebec is doing? Why are you so afraid that we're going to go ahead and adopt a similar bill?

[English]

**The Chair:** Mr. McGowan.

**Mr. Trevor McGowan:** Thank you for the question.

I think certainly the intergenerational transfer rules in Quebec as well as precedence in the United States and elsewhere have informed our thinking on the matter. It is, as I said, an important topic, sufficiently important, of course, to have made it into the Minister of Finance's mandate letter.

You'd asked about the specific concerns and had raised tax planning, and whether or not it could be dealt with later. I would simply note that the amendment, as provided in the bill, would facilitate more often high-net-worth individuals to extract or to pay out retained earnings from the corporation, possibly using the lifetime capital gains exemption to avoid or reduce taxes. Those could go from, to choose the Ontario rates we talked about earlier, 47% down to 26%, roughly, or down to zero where the lifetime capital gains exemption applies.

This kind of surplus stripping is very widespread, I would say, within the tax planning community. It's fairly common to try to convert dividends into lower taxed capital gains. It would seem reasonable to expect that to not only continue but to be accelerated and

emboldened with the kind of planning that could be utilized through some of the measures in this bill.

You'd asked about what kinds of concerns there were on the tax avoidance side of things, and I think that's about it. I don't want to get into too many technical details. I alluded to them earlier. By using some tweaks on existing techniques, it is very possible, through a few transactions, to eventually....

Say, you're going to extract \$100,000 from your business. You wanted that money out. You'd normally pay around \$47,000 or \$48,000 of tax on it. To have your child set up a corporation, transfer through—

**Mr. Pat Kelly:** On a point of order, I'm really sorry, Mr. Chair and officials, but time marches on. We are a little bit over what we agreed to on the time for officials. I'm just asking you to be aware of the time and to keep this going.

**The Chair:** I know we're a little over, but I'd like to give Mr. Julian the chance for a question. At least that's one from each party, if he wants to take it.

Mr. Julian, did you want a question, if you could be fairly quick?

• (1820)

**Mr. Peter Julian:** Yes. Thanks, Mr. Chair.

My question to the witnesses is this: What kind of modelling have you done? The Department of Finance has obviously come up against this bill a number of times. I'm a little dismayed that we don't have amendments that could be offered.

That's fair enough, but there is some speculation that it may open up some broader aspects that allow some wealthier individuals to take advantage of it. What is the modelling internal to the Department of Finance? What kind of fact-based evaluation of this bill have you made? What difference do you see in terms of people claiming the amounts?

I'm looking for modelling. I'm looking for actual figures, anything that you bring to this discussion.

**Mr. Shawn Porter:** I'm going to let Trevor deal with that one.

While I defer that to him, the one thing, Mr. Julian, that I would point out around modelling—because we have been looking at it, as you say, for a while, for the reasons that Trevor has given—is that this delineation question is at the heart of it. There's a significant risk of revenue erosion if this exception to the surplus-stripping rule is too wide. We've had some conversations about it.

You've heard from Mr. Wark. He's just touching on the design features, the notion of how long a parent could remain involved in a business transferred to a child. There's that element. There's the element of whether they can own shares and the nature of those shares, and the extent to which the children need to be involved in the business.



Delineating what looks like a real intergenerational transfer is very difficult. If that isn't done properly, then, yes, we are saying that there is a significant risk of revenue erosion, which runs to your question about modelling.

Trevor, I don't know if you want to add anything to that.

**Mr. Trevor McGowan:** No, that's great, Shawn.

I apologize if I ran long a bit earlier.

Mindful of time, I would only point out that with regard to these planning techniques, we work with the Canada Revenue Agency. We understand the prevalence of surplus-stripping transactions. We've looked at that. Also, we have done our internal analysis as to what planning techniques that currently exist out there could be modified in order to facilitate tax avoidance through these proposals.

We've done the due diligence that way, in addition to Shawn's comments about thoughts on how to appropriately balance the different interests involved.

**The Chair:** With that, we will go to clause-by-clause.

Thank you very much to the witnesses for providing the information.

If this doesn't carry, we'll deal with that. If it does carry, I would suggest that someone needs to look at it to make sure that there are amendments made that protect genuine transfers and don't open up tax planning in a way that creates some problems. There's always that opportunity, as was suggested earlier, either by a ways-and-means motion from a minister or a royal recommendation when we report it to the House. There are always options.

(Clauses 1 and 2 agreed to on division)

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

**Some hon. members:** Agreed.

**An hon. member:** On division.

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

**Some hon. members:** Agreed.

**An hon. member:** On division.

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

**Some hon. members:** Agreed.

● (1825)

**The Chair:** Thank you very much. That concludes our discussion on Bill C-208, and we're within our time frame so we're not disrupting another committee.

Thank you, everyone.

[*Translation*]

**Mr. Gabriel Ste-Marie:** Hear, hear!

**Ms. Annie Koutrakis:** Hear, hear, everyone!

[*English*]

**The Chair:** Thank you, again, to the witnesses. Thank you, Mr. Porter and Mr. McGowan. I know it's a tough subject.

Thanks, committee.

The meeting is adjourned.





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