



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Standing Committee on Finance

FINA • NUMBER 208 • 1st SESSION • 42nd PARLIAMENT

EVIDENCE

Monday, May 6, 2019

Chair

The Honourable Wayne Easter

Standing Committee on Finance

Monday, May 6, 2019

• (1535)

[English]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): We will call the meeting to order. We're dealing with Bill C-97, an act to implement certain provisions of the budget tabled in Parliament on March 19, 2019 and other measures. We are still dealing with officials. I believe we're in part 4, division 5.

Mark, I believe you have already given your overview of the section which relates to clauses 133 to 152. I don't think there's anybody different here or I would ask you to repeat the overview again. I think we're okay.

Are there any questions on what Mark presented the other day on enforcing retirement security?

Mr. Dusseault.

[Translation]

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

Mr. Schaan, as you'll remember, I started talking about the concept of good faith at the end of the last meeting.

Bill C-97 introduces the concept of good faith. All parties to a proceeding are required to act in good faith. I'd like to know what more this amendment would provide than what judges already use. According to some experts, judges can already rely on the concept of good faith to ensure all parties cooperate.

Mr. Mark Schaan (Director General, Marketplace Framework Policy Branch, Innovation, Science and Economic Development Canada): Thank you for that question.

First, the provision on the duty to act in good faith would help align Canada's insolvency laws with recognized international best practices. Many countries, including the United States, the United Kingdom and Japan, have established the duty to act in good faith in any insolvency case proceeding.

The Civil Code of Quebec requires parties to act in good faith. The courts that apply the Act respecting the collection of certain debts in Quebec rely on that provision, doing so in some cases to compel parties to change their behaviour. The act mentions the concept of good faith but doesn't define it. The courts have another tool to address the situation in insolvency cases.

Mr. Pierre-Luc Dusseault: So it's more symbolic and won't have any real impact, isn't that correct?

Mr. Mark Schaan: In some cases, particularly in Quebec, the courts use the provision to correct the behaviour of a party in an insolvency case. Canadian courts may rely on other tools, but those in Quebec use this provision correctly to protect other parties affected by an insolvency proceeding.

Mr. Pierre-Luc Dusseault: I see.

My next questions concern the new provisions on compensation for directors. The courts can already verify dividends and share buybacks. You're proposing that they have a right of review over other payments made to directors and officers. Can you explain what those payments are?

Mr. Mark Schaan: The bill provides that, in an insolvency case, the court may verify the salaries and compensation of senior management, but also their stock options and social benefits. However, the court must exercise caution in using this provision.

[English]

It is not possible to nullify the collective agreements or contracts.

What the court will be able to do is review the executive compensation package to ensure that if there were an attempt to evade the utilization of the appropriate insolvency statute to ensure that there weren't undue payments made in advance of an insolvency, they would be able to review those transactions and potentially either hold directors liable or use other mechanisms at their disposal in the case of an insolvency.

[Translation]

Mr. Pierre-Luc Dusseault: So that could be the case for salaries, for example.

Could the same be true of stock options?

Mr. Mark Schaan: Stock options are included in directors' compensation, but the act currently contains other elements as well.

[English]

Already, under the existing provisions of the act there is a look-back period that includes the ability for monitors in the courts to review shareholder buybacks, for instance, and share dividends and the utilization of those tools. This in some ways adds an additional layer to that, but there is already a capacity to be able to review those transactions.

• (1540)

[Translation]

Mr. Pierre-Luc Dusseault: I'm a bit troubled by another point.

In the same division, the point is raised that directors may be exonerated from any liability provided under the act stemming from decisions made respecting compensation during the previous year, for example, or immediately preceding insolvency.

The new subsection (3.1) of section 101 would exonerate directors from any liability where they have protested against a payment.

Are we to understand that, if, for example, the decision is made following a board meeting at which one of the officers protested against payments, the directors might be exonerated from all liability in respect of those payments?

I can understand the purpose in a way, but I find it hard to understand the mechanism that will be used to achieve it.

Mr. Mark Schaan: If a decision concerning the compensation of directors were challenged by a board, the board would be liable for that decision. It is possible, in an insolvency case, that the monitor might decide the decision runs counter to expectations regarding the board's liability.

That creates a

[English]

tort law liability that can be pursued against those individual directors.

One of the defences for tort law liability is due diligence. That particular director, for instance, if they had opposed the executive compensation may, however, be able to rely upon that defence in the tort law action against them.

[Translation]

The board of directors is liable for that decision. If the monitor states that the decision runs counter to expectations or to the aims of the act, that creates a liability for the entire board. Several means of defence are possible. This isn't a

[English]

summary action.

[Translation]

This isn't a decision that's up to the court at that point, but the entire board of directors may then be liable.

Mr. Pierre-Luc Dusseault: So it would be up to the director to report that he or she had protested against the payments.

That's all for the moment, Mr. Chair.

[English]

The Chair: Are there any other questions on division 5, part 4?

Hearing none, thank you all.

It's good to see you again, Mr. Schaan. We've seen you nearly every day for a long while.

Mr. Mark Schaan: I'm back for one more section. My apologies.

The Chair: That's no problem. We're glad to have you here.

We are on division 6, Canada pension plan, and I believe divisions 7 and 8 are also on the table at the same time.

We are ready to go on the Canada pension plan. I believe Ms. Giordano is making the presentation. She is the director, CPP policy and legislation, seniors and pensions policy secretariat at ESDC. Welcome.

Ms. Marianna Giordano (Director, Canada Pension Plan Policy and Legislation, Department of Employment and Social Development): Good afternoon.

Under the current Canada pension plan legislation, an individual must apply for the CPP retirement pension in order to receive it. A small but significant minority of eligible seniors currently miss receiving a retirement pension payment because they apply late or not at all. These individuals tend to be people who had a weak labour force attachment and therefore low retirement income.

• (1545)

[Translation]

Clauses 153 and 155 of the bill would amend the Canada pension plan so that, beginning in 2020, eligible seniors who have not yet begun to receive their retirement pension from the Canada pension plan are automatically enrolled when they reach the age of 70.

Automatic enrolment would apply only to persons for whom the government has the information necessary to begin payments.

[English]

The proposal will prevent individuals, many of whom have low income, from missing out on CPP benefits to which they made contributions and are entitled to receive.

This proposal will allow up to 40,000 people over the age of 70 to begin receiving their CPP retirement pension for the first time in 2020. Two-thirds of these seniors are women. In addition, going forward, an estimated 1,600 people each year could receive a CPP retirement pension that they otherwise would not receive, rising to approximately 2,000 by 2030. It is estimated that, with these amendments, the average benefit would be about \$300 per month.

I'm happy to answer any of your questions.

The Chair: That was short and to the point.

Mr. Dusseault.

[Translation]

Mr. Pierre-Luc Dusseault: My question is simple, but the answer to it may not be.

Why was the qualifying age set at 70, since we're eligible for Canada pension plan retirement benefits at the age of 65? Why is there this five-year waiting period?

Ms. Marianna Giordano: You're correct. The normal age for receiving a retirement pension from the Canada pension plan is 65. However, you may draw your pension starting at the age of 60, but it will be subject to an actuarial penalty, or wait until you're 70 and get an actuarial increase.

There's no further benefit for deferring payments beyond the age of 70. As a result, people receive the largest amount they can possibly get at 70. That's why the age of 70 was chosen; there's no further reason to wait after that age.

Mr. Pierre-Luc Dusseault: I see.

Why was the decision made to grant a retroactive period of 12 months instead of 60 months? I'm going back to the example of the individual who's been eligible for five years but isn't receiving the benefits to which he or she is entitled.

Ms. Marianna Giordano: All Canada pension plan benefits are associated with a retroactive period of 12 months, and that applies to everyone.

Even if a person applies for a pension at the age of 67 and would like the pension to be retroactive to the age of 65, the limit of the retroactive period is nevertheless set at 12 months. In future, if people are automatically enrolled at 70, the 12 months will amply cover their needs. They will incur no loss. This will be very positive for the future.

Mr. Pierre-Luc Dusseault: With regard to automatic enrolment, people must report their revenue every year in order to keep files up to date. The Canada Revenue Agency needs that information in order to proceed with automatic enrolment, doesn't it?

Ms. Marianna Giordano: The criteria are set forth in the act. You must have contributed to the Canada pension plan. If the department knows an individual is receiving another pension, such as old age security or the survivor's pension, or that the individual filed an income tax return the previous year, enrolment will not be automatic.

If people don't meet those criteria, an application will have to be filed. That application will still be received by the department without any problem.

Mr. Pierre-Luc Dusseault: Thank you.

[*English*]

The Chair: Is there anyone else?

That completes officials' statements on division 6.

We're on part 4, division 7.

We'll now hear from Ms. Martel, director, old age security policy and public pension statistics division, seniors and pensions policy secretariat, income security and social development branch, ESDC.

[*Translation*]

Ms. Nathalie Martel (Director, Old Age Security Policy and Public Pension Statistics Division, Seniors and Pensions Policy Secretariat, Income Security and Social Development Branch, Department of Employment and Social Development): Thank you, Mr. Chair.

Good afternoon.

[*English*]

Clause 156 amends the Old Age Security Act to enhance the guaranteed income supplement earnings exemption.

The guaranteed income supplement, or GIS, is a benefit paid to low-income seniors in addition to the old age security pension. The

GIS is based on income to ensure that benefits are targeted to those most in need. The GIS earnings exemption currently allows low-income seniors to earn up to \$3,500 per year in employment income without a reduction to their GIS. Income from self-employment does not currently qualify for the exemption.

The proposed amendments would increase the GIS earnings exemption from \$3,500 to \$5,000, extend the earnings exemption to self-employment income and provide an additional 50% exemption on up to \$10,000 of employment or self-employment income beyond the \$5,000 exemption.

• (1550)

[*Translation*]

This enhanced exemption would apply starting July 2020.

An estimated 330,000 low-income seniors would receive an increase in their benefits. The annual cost would amount to more than \$460 million.

The average benefit increase for low-income seniors who are in the labour market is estimated at \$1,400 a year.

[*English*]

The Chair: Are there any questions?

Mr. McLeod.

Mr. Michael McLeod (Northwest Territories, Lib.): I just want some clarity on this issue, because it's a big one in my riding and I've heard a lot from people I represent.

I represent quite a few smaller indigenous communities. Most of the people who are seniors in those communities don't have government pensions and there usually aren't too many people who have corporations that provide pensions, so there's not a lot of income other than the GIS and old age security.

We have a lot of people who have lived their lives practising traditional pursuits: hunting, trapping, fishing, making snowshoes, making canoes, making all kinds of stuff. The school often wants them to come in to provide that information to the younger people, or youth groups or different agencies will ask them to do it. They'll give them a per diem or an honorarium. A lot of people who receive this find out at the end of the year when they get their income tax notices that they've collected money and now their pensions will be docked, will be a reduced amount.

Will this change it and allow them to work in the different facilities and collect a bit more money than they were getting historically?

Ms. Nathalie Martel: Right now, the money they earn, if it's considered employment income for tax purposes, they can exempt up to \$3,500 of this income. If they earn beyond \$3,500, they will benefit from this enhancement.

If it's considered self-employment income, right now there is no exemption at all on it. This type of income doesn't qualify for the current \$3,500 exemption. People with self-employment income will benefit from this exemption. It means they will be able to earn this additional money without seeing a reduction in their guaranteed income supplement.

Mr. Michael McLeod: When you say “self-employment income”, are you talking about somebody who is running a small business? What's the definition?

Ms. Nathalie Martel: It's as specified in the Income Tax Act.

Suppose I have a contract. If I am a consultant, for example, and I make a bit of money out of it, it would be considered self-employment income.

If it is considered self-employment income for tax purposes and it's included in net income for tax purposes, that is the definition we use for the purposes of calculating the guaranteed income supplement.

Mr. Michael McLeod: Okay. Thank you.

Ms. Nathalie Martel: You're welcome.

The Chair: Mr. Sorbara.

Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.): As a clarification on that, the changes take effect from \$3,000 to \$5,000, so someone can work and earn \$5,000 with no impact on GIS.

Ms. Nathalie Martel: That's correct.

Mr. Francesco Sorbara: Then the second part of that change, which is instituted in the BIA, is the amount from \$5,000 to \$15,000.

Can you provide colour on that, please?

Ms. Nathalie Martel: Yes. The full exemption will apply to the first \$5,000 of income, and a partial exemption will apply at a rate of 50% up to \$10,000, beyond \$5,000.

For example, if you have \$7,000 of employment income, for GIS purposes, we will ignore the first \$5,000 completely and we will exempt an additional \$1,000, so 50% of the additional \$2,000 beyond \$5,000. Thus, you have \$6,000 that will not be taken into consideration when we calculate the guaranteed income supplement.

• (1555)

Mr. Francesco Sorbara: Ms. Martel, when you look at the GIS and OAS tables on the website, on the GIS calculation, CPP is one of the factors in terms of determination of income. This will benefit seniors who are working who may not have been in the labour force a long time, who want to work past age 65, who need those few extra dollars.

In terms of the estimated number in the budget, over approximately a four-year period of time, this is a \$1.7-billion expenditure by the federal government. Is that correct?

Ms. Nathalie Martel: That's correct.

Mr. Francesco Sorbara: It will probably help tens of thousands of seniors from coast to coast to coast, if I'm not mistaken.

Ms. Nathalie Martel: We estimate that 330,000 low-income seniors will benefit from this measure.

Mr. Francesco Sorbara: Thank you for that data point.

The Chair: Is there any further discussion on division 7, or are there any other questions?

Thank you, Ms. Martel.

Now, turning to part 4, division 8, which deals with non-permitted surplus, we have Ms. Elder and Mr. Crabtree.

Ms. Elder is senior director, pensions and benefits sector, and Mr. Crabtree is executive director, pensions and benefits sector.

Ms. Elder, go ahead.

Ms. Deborah Elder (Senior Director, Pensions and Benefits Sector, Office of the Chief Human Resources Officer, Treasury Board Secretariat): Thank you, Mr. Chair.

I'm here to speak to you today about the proposals contained in clauses 157 to 159. These clauses propose to increase a surplus limit set out in the legislation governing the Canadian Armed Forces, the public service and the Royal Canadian Mounted Police pension plans from 10% to 25% of the amount of liability.

These amendments will enable the Government of Canada to build a larger surplus cushion in each of its pension funds and thereby reduce the risk of future funding deficiencies. They relate to the manner in which the Government of Canada funds its pension obligations and demonstrates sound financial stewardship. They do not impact the benefits payable to plan members, the cost of the plans or the Government of Canada's pension liabilities.

That concludes our overview of this division. We'd be happy to answer any questions you may have.

The Chair: Mr. Dusseault.

[*Translation*]

Mr. Pierre-Luc Dusseault: You plan to increase the surplus limit from 10% to 25%. Is the 25% figure used for pension fund management purposes? I'd like to know on what basis that percentage was selected.

[*English*]

Mr. Simon Crabtree (Executive Director, Pensions and Benefits Sector, Office of the Chief Human Resources Officer, Treasury Board Secretariat): I can confirm it is the same limit as used in the Income Tax Act. In 2010 the Income Tax Act was amended from 110% with a 10% surplus to 125%, so it's the same limit. That is the legislation that applies to all other federally regulated pension plans.

[*Translation*]

Mr. Pierre-Luc Dusseault: You said that it wouldn't have any impact on the government's financial burden, that there wouldn't be any additional expenses associated with the limit increase.

Does the government frequently stop making its contributions as a result of the limit? How often does that occur? Can we estimate the amounts in question?

[*English*]

Mr. Simon Crabtree: I'm so sorry. There are multiple conversations here.

Just to repeat, are you looking for the frequency of the special payments that are made or the level of payment?

[*Translation*]

Mr. Pierre-Luc Dusseault: I want to know how frequently the Government of Canada stops making its contributions as a result of the current 10% limit.

Mr. Simon Crabtree: We haven't limited the federal government's contributions to date. For example, Public Services and Procurement Canada currently has a 106% surplus. So we're talking about 6%. We've never seen a case in which employer contributions had to be limited. In view of what we've recently observed in the markets, we anticipate that may eventually occur.

[English]

What would happen, if we hit that limit, effectively would be that the government would be forced to take a contribution holiday. If we didn't change the limit and left it at 10%, the government would have to cease making contributions immediately until it came back below the 10% limit. Given the market volatility, we want to ensure that there's an additional comfort or buffer zone to allow this not to be forced to happen.

• (1600)

[Translation]

Mr. Pierre-Luc Dusseault: So it's not in order to react to something that's already occurred but rather to anticipate something that might occur.

[English]

The Chair: Are there any further questions on this division?

Okay, thank you, Mr. Crabtree and Ms. Elder.

We will call up the officials for regulatory modernization, part 4, division 9, subdivisions A, B, C, D, E, F, G, H, I, J....

We have Ms. Ritchot, executive director, regulatory policy and co-operation directorate, Treasury Board Secretariat.

The floor is yours.

[Translation]

Ms. Jeannine Ritchot (Executive Director, Regulatory Policy and Cooperation Directorate, Regulatory Affairs Sector, Treasury Board Secretariat): Thank you very much, Mr. Chair.

As you can see, I'm accompanied by a number of colleagues who'll be helping me during the presentation.

I'm going to provide a brief overview of the initiative we'll be discussing today. In its fall 2018 economic statement, the government committed to introducing an annual regulatory amendments bill. That bill starts this year, in 2019.

The purpose of the bill is to modernize regulatory requirements to better reflect the realities of the new digital economy, to relieve the administrative burden of regulation in Canada and to lower barriers to investment and innovation in this country. To that end, it is necessary at times to amend the act. This bill will allow us to amend several at a time.

[English]

The first bill will be presenting changes to 12 acts across a variety of sectors. In a moment my colleagues will start to outline some of those sectors. These changes will help to cut costs to both regulated parties and to regulators in a bid to make regulation more efficient. Many of the changes will respond to long-standing irritants that have been raised by business to regulators and many of the changes will also support a more innovative, flexible and agile regulatory

framework. This is one of multiple initiatives that the Treasury Board Secretariat is pursuing on behalf of the government to support a regulatory competitiveness and innovation agenda.

I'm now going to turn to my colleagues to go through the individual changes to the acts. I believe we're starting with a repeat performance.

The Chair: Before we go to Mark, I don't know if anyone else has any questions basically on the process, but I certainly do.

On regulatory modernization, Jeannine, I know it crosses all sectors and all departments, but what kinds of consultations actually take place with stakeholders? I've heard from some who don't believe they were consulted, but there are a lot of stakeholders in every field. What's the process by which Treasury Board decides what areas of regulation they're going to propose changes to? I agree entirely with the principle because I believe from a policy perspective.... Certainly at the finance committee we've been out there trying to find ways to make industry more competitive, and then we see some regulations—and I'll be honest with you—going in that probably makes us less competitive. It's a tough area.

How do you make the decision and what is your area of consultation when you're looking at making regulatory changes?

• (1605)

Ms. Jeannine Ritchot: Thank you, Mr. Chair, for the question.

I didn't mean to move straight into the substance. Although—

The Chair: I know Mark was biting at the bit. He hasn't been here before.

Ms. Jeannine Ritchot: Mark was really looking forward to it. That's right. He really wanted to go again.

It's an excellent question. I should say that a fundamental pillar of the Government of Canada's regulatory modernization agenda is greater transparency and greater engagement with stakeholders.

In the case of the first annual regulatory modernization bill, the government made clear its intention to have something tabled in 2019. That left us with a very narrow window in which to get the first bill done. We did, however, have a plethora of other consultative measures that we were able to draw from.

You may recall, Mr. Chair, that in 2018, the government announced targeted sectoral regulatory reviews in three key sectors. The purpose was to enhance flexibility in those sectors, more competitiveness and more innovation. Those were specifically agri-food and aquaculture, transportation and infrastructure, and health and biosciences. A lot of the ideas from this regulatory modernization bill came directly from the consultations that Treasury Board Secretariat and the partnered departments held for those regulatory reviews.

It is fair to say that not every single irritant raised could be addressed in this first bill. That was quite simply a measure of the time we had to put together this bill and get it into the House of Commons in 2019. On an annual basis, we will build in strong consultation mechanisms to make sure that stakeholders and departments have the opportunity to be heard, and to make use of this tool.

The Chair: Okay. This will be done on annual basis.

Ms. Jeannine Ritchot: That's right.

The Chair: Say that ABC organization has concerns about regulations or changes that might be forthcoming. Is there any way that businesses or individuals can get to the centre that's doing these consultations, or that's making these changes, to provide their input?

Ms. Jeannine Ritchot: Yes. Once we get through the first annual regulatory modernization bill, we'll be taking a look at how to make this a more regular occurrence, on an annual basis. This was the first time through. Part of that will be building in a centrally led process that my team at Treasury Board Secretariat would lead. That would allow input in a way not dissimilar to what we do for regulatory reviews. Treasury Board Secretariat led the national consultations on the regulatory reviews. We were the central single window for stakeholders to come in and let the government know what they wanted to see changed.

That will continue for both reviews. We'll look at making it part of this, as well.

The Chair: Okay.

Does anybody else have any questions?

Then we'll turn to Mr. Schaan, who is biting at the bit.

Go ahead, Mark, with the Bankruptcy and Insolvency Act .

[*Translation*]

Mr. Mark Schaan: Thank you, Mr. Chair.

The first issue in this bill concerns changes in insolvency.

[*English*]

Licensed insolvency trustees must renew their licences and pay fees on December 31, annually. This deadline creates unnecessary administrative burden or pressure for many trustees, because it may fall during the end-of-year holiday period. We are proposing, as part of this, two changes.

The first is to change the deadline. The proposed amendment would allow for a licence renewal date that is more convenient. It would be prescribed in regulation. It wouldn't conflict with the end-of-year holiday period or other inconvenient periods.

Right now, trustees are required to keep the original signed copy of specified documents, notably minutes, proceedings and resolutions passed at any meetings of creditors or inspectors, whereas all other estate documents can be kept in digital form. As a function of a long-standing complaint from the trustee community that this requirement is out of date and causes unnecessary administrative burden, the government will allow for digital office practices by licensed trustees.

• (1610)

The Chair: Are there any questions on subdivision A of division 9?

We're all okay.

Okay, thank you very much.

You're getting efficient, Mark. Come forward again and it will be done before you even read your part.

Subdivision B, amends the Electricity and Gas Inspection Act.

We welcome Mr. Cotton, vice-president, program development directorate, and Mr. Spicer, vice-president, regulatory modernization.

Mr. David Spicer (Vice-President, Regulatory Modernization, Innovation, Science and Economic Development Canada):

Thank you, Mr. Chair.

I'm David Spicer, vice-president of regulatory modernization. With me today is Carl Cotton, vice-president of the program development directorate. We're with Measurement Canada.

Measurement Canada is an agency of Innovation, Science and Economic Development Canada. Our mandate and legislation are designed to ensure measurement accuracy to protect consumers from measurement errors.

Clause 162 would provide the ability for the minister to make regulations to allow new units of measure for electricity and gas sales and distribution not currently specified in the act. This measure increases the agility of legislation and facilitates a faster response when new technologies are proposed to enter into the Canadian marketplace. This authority would allow the government to react more quickly to accommodate new technologies and innovation that might not use traditional units of measure for electricity consumption.

Current examples would be zero-emission vehicles and light-emitting diode street lights being introduced with innovative measuring devices.

The authority permits the use of the new unit of measurement in a time-limited context. The regulations made under this authority would expire when a permanent amendment to the electricity and gas inspection regulations is made through the normal regulation-making process, or they would expire after three years.

Thank you.

The Chair: Are there any questions on this division?

Mr. Dusseault.

[*Translation*]

Mr. Pierre-Luc Dusseault: Does the government frequently use new units of measurement for electricity and gas. I thought it didn't.

[English]

Mr. David Spicer: No, it isn't frequent. In fact, this authority is very much anticipatory should there be a new unit of measure. Part of the reasoning behind this is that as things are moving more quickly, new technologies are being introduced. This allows a bit more of a rapid response should a new unit of measurement be introduced.

To answer your question, no, they're currently not all that frequent.

[Translation]

Mr. Pierre-Luc Dusseault: Would new units of measurement otherwise be introduced via legislative or regulatory initiatives?

[English]

Mr. David Spicer: Correct.

The Chair: Are there any further questions?

Thank you, Mr. Spicer and Mr. Cotton.

On subdivision C, the Food and Drugs Act, we have Mr. Loyst.

There are a few officials here.

We have Mr. Lee, who is the chief regulatory officer.

Is Mr. Flint here?

Ms. Jeannine Ritchot: He's coming later.

The Chair: As well, we have Mr. Yalkin.

Go ahead, Mr. Lee.

Mr. David Lee (Chief Regulatory Officer, Issues Management, Health Products and Food Branch, Department of Health): Thank you, Mr. Chair.

Subdivision C would amend the Food and Drugs Act to optimize patient safety, but to enable innovation.

Clause 164 would introduce a more organized way to determine classification. Right now, products can fall under more than one definition, such as a food and a drug, or a device and a drug. This would help increase transparency and cause the minister to consult. It would also reduce, especially for innovative smaller businesses, the uncertainties when you have to choose which pathway to take.

Clause 166 would introduce measures to modernize our clinical trial structure. Many advanced ways of conducting clinical trials are being developed. This will be especially good for physician-led research for our children with cancers. It would also include new abilities for clinical trials in foods such as infant formulas and hospital-given foods, for example, through a feeding tube. Right now, companies have to do those clinical trials in other countries because they're not enabled here.

Clause 169 and on would introduce a new pathway for advanced therapeutic products. This is very important because science and technology is really multiplying the developments that we're starting to see, a lot of in-hospital manufacturing of devices that can be embedded with cells. This is for a regulator to be very agile, and look after the safety but make sure we can tailor the requirements through what this pathway is intended to do.

Perhaps I can pass the floor to my colleague to go over the inspection measures.

• (1615)

Mr. Greg Loyst (Director General, Policy and Regulatory Strategies Directorate, Department of Health): Thanks for the opportunity to provide a brief overview of clauses 170 and 171, which deal in particular with the powers of inspection.

[Translation]

We work in an increasingly complex world, and technology is evolving at unprecedented speed, but our powers of inspection have not kept up with the pace of those developments.

The proposed amendments would clarify some of the powers conferred by the act and grant inspectors modern powers to enforce it, which would make it possible to adopt more flexible and adaptable approaches.

[English]

The proposed amendments are really intended to help us better protect the health and safety of Canadians. These are in keeping with powers that you would find in other modern federal legislation, including many of those acts that are administered within the health portfolio.

What I'll do is quickly run through some of the highlights of the authorities that we're seeking.

The proposed amendments would allow inspectors to order a person to provide an inspector with any document, information or sample specified by the inspector. This could be done without the inspector being on site. They would add electronic data to the list of records or documents that could be examined, by giving the inspector the ability to reproduce this electronic data or use a computer system or a means of telecommunication at the place being inspected. They would allow things like the inspectors taking photographs or making recordings and sketches during an inspection. An inspector would be able to examine, test or take samples of anything in the place being inspected, or remove anything from the place being inspected for those purposes.

Inspectors would be able to cause a person to identify themselves to the satisfaction of the inspector in the place being inspected. The inspector would be able to order a person to move or stop a conveyance for the purpose of inspecting that conveyance, or if a conveyance is blocking access to products in a warehouse, for example, to move that conveyance so that the inspector could get at it.

It would also allow an authority to pass through or over private property. This would not include a dwelling house. The sanctity of the home would remain. The only two ways we could get into a home would be with a warrant or with the consent of an owner, but this would allow us to pass over private property to execute our functions.

I'd also like to mention that in clauses 173 to 175 you'll find the offence provisions. What's important to note is that where there is a duty created by these new authorities, it would fit within the existing infrastructure of the offences that are currently in the act, so there is no increase to penalties or offences. In those clauses we've really just aligned the provisions that we're seeking here with the existing infrastructure of the penalties.

That's it.

The Chair: We're open to questions, members.

Mr. Viersen, do you want in?

Mr. Arnold Viersen (Peace River—Westlock, CPC): Yes, please.

In clause 164, proposed subsection 2.4(1) "Classification — thing", and in proposed subsection 2.4(2) "Classification — class of things", can you explain that a little bit more? It just seems to me that food... I understand why we want to pick one lane and stay in it, but what does that look like in reality?

Mr. David Lee: Basically there are four definitions at the act level: food, drug, cosmetic and device. Especially with the newer technology, we're seeing blurring across the lines.

If you think of yourself as a start-up company and you're getting ready to go through the device regulations, which are pretty complicated... You have to meet all the requirements for clinical development, but then also quality, so you're lining up with that pathway. You would usually file the submission with Health Canada and then find out at that point that no, we think you're actually a drug. You should be on the drug side, or you have to meet both regulations. That is very late in the day. You've invested a lot of money at that point.

This would get out ahead. It would look at different product lines and be able to do it as a matter of keeping a schedule. The minister would propose and it would be like a ministerial regulation through an order. You go out and you consult and everybody gets a chance to weigh in, and then you schedule.

Then there is certainty. Once people see themselves as "I am a food" or "the kind of product I'm into is a food", it just settles it down and gives certainty around the classification.

• (1620)

Mr. Arnold Viersen: Would there be any ability to move it from one to the other after the fact?

Mr. David Lee: No, we've prevented that because, again, these are pretty rigorous criminal prohibitions so you really don't want to shuttle one for the other. It's just where something can be more than one, you're settling on one of the pathways.

Mr. Arnold Viersen: Okay, thank you.

The Chair: Do you have an actual definition for "thing" or "class of thing"?

Mr. David Lee: We did spend a lot of time in the drafting room on that, Mr. Chair.

You needed something to identify the product before it was classified as a drug or a food, so "thing" was really chosen to be malleable enough that it could be all three. Chewing gum, for

example, is a thing that could be a cosmetic if it whitens teeth. It could be a food. It could be a drug if it makes dental claims.

When we look at it prior to classification, we treat it as a thing in the act, and then we'll sort which lane it goes into.

The Chair: Does anybody else have any questions?

Still on the inspection measures with various new authorities, what I get a lot of, because I come out of the farm sector, is CFIA.... With these new areas of endeavour, would there be an additional cost to business? Also, what kind of challenge can a company exercise in these areas of inspection, if it disagrees?

Mr. Greg Loyst: On the first part, it's not foreseen that there would be any additional cost to industry to comply. Really, what these powers are doing is to give more flexible authorities to our inspectors and bring the Food and Drugs Act into line with other acts that you would see, including the Safe Food for Canadians Act and a variety of others within the health portfolio. It's really giving them more ability to verify compliance and prevent non-compliance. There shouldn't, then, be additional resource requirements for industry.

With regard to challenges, these authorities, like all other administrative authorities exercised by government, are subject to judicial review. Any individual who has a challenge with any administrative decision made by the government has the opportunity to pursue a judicial review as well.

The Chair: I'm not going to debate it, but from where I sit and what I hear, what Health Canada might see as flexible, someone in the business community might see as restrictive. I'll not get into them, but I could give you all kinds of examples on meat inspection, small slaughterhouses and so on.

These additional inspection measures would apply to basically everything that the Canadian Food Inspection Agency, the Canadian Grain Commission and other measures apply to, such as slaughter plants, grain elevators, etc.

Mr. David Lee: Mr. Chair, the CFIA was sort of involved in the discussions here, and this was really to align.... You're correct that many instruments apply to foods. The Food and Drugs Act is on the safety side and then you have the Safe Food for Canadians Act. These are to line up the powers that they will use on a regular day.

We have worked with the CFIA, and we are thinking along the lines of modernization. We have done past work to make things flexible, such as the food additives changes we made many years ago. We are considering things such as that.

This is just to line up the inspection powers as between instruments, basically.

The Chair: I have one other question. It relates to service fees. You folks may not be able to answer.

As I understand it, Health Canada doesn't fall under the Service Fees Act. My question would be, why not?

We had this discussion, I think, a year ago at committee. We will get complaints about service fees being a substantial cost to the business side. Health Canada, if it doesn't fall under the Service Fees Act, doesn't have to justify those service fees in the same way that any other department in government has to do in justifying its service fees cost.

I'm not expecting you to have an answer, but if you have one, great. If you don't, pass it up the line. You can tell them that I'm very concerned that Health Canada doesn't fall under the Service Fees Act and that I think they should.

• (1625)

Mr. David Lee: We will take that back, Mr. Chair.

Thank you.

The Chair: Mr. Dusseault.

[Translation]

Mr. Pierre-Luc Dusseault: With regard to the possible addition of a list of advanced therapeutic products in schedule G, I'd like to know why the decision was made to include this provision and thus to enable the minister to add therapeutic products quite randomly.

[English]

Mr. David Lee: Actually schedule G is structured to eliminate randomness so that it instructs the minister to focus on certain things when scheduling.

Right now many companies can fit their filings in either the device side or the drug side, but more and more as you're seeing different manufacturing models, technology like artificial intelligence, it would require a regulatory change to really get right through the pathway. So, really the advantage of this is to lift it away from the device regulations, the drug regulations, and put it in a place where we can rapidly tailor the requirements.

It's not just for any product. It's really to make sure that this is for advanced scientific products. It's for products that don't fit in the regulations right now and that would be suitable to be governed in this particular way. There is a lot of deliberation on what the criteria would be, looking at the advancement of the science and technology, the level of uncertainty around the benefits and potential harms. For things like wearables, for example, we're all figuring out how to regulate those. Giving a licence for each one may not be possible. This actually creates a schedule in an orderly way that we list the products to go into that space.

Once we know more about regulating it, we may bring it back over to the normal regulations once we understand how to normalize that.

[Translation]

Mr. Pierre-Luc Dusseault: In other words, schedule G doesn't yet exist. You want to create it, don't you?

[English]

Mr. David Lee: It's created through this enactment. It's empty so far. We have been consulting a great deal with innovation hubs in Montreal, Toronto, Vancouver, across the country, which are really bringing very advanced health products. It's exciting for patients, but

to see which ones will go in, first we'll have a structured exercise to make sure that they meet the criteria.

[Translation]

Mr. Pierre-Luc Dusseault: So the idea is to allow more flexibility. In that way, advanced therapeutic products can be approved more quickly. They'll be entered in the right category later on during the approval process.

[English]

Mr. David Lee: Exactly, so when a hospital is adopting, for example, brand new genetic therapies, they are not waiting for five years for us to make a regulation. These are happening in our cancer centres now, and so to really get that flexibility has been the aim of this instrument.

[Translation]

Mr. Pierre-Luc Dusseault: How can someone apply to add a product to schedule G? Is the process official or informal? Will the minister have to be involved?

[English]

Mr. David Lee: This is not done through application. It is a power available to the minister. But having said that, our branch has been conducting a foresight exercise in consultation with companies, with other international regulators, because we're all wrestling with the same technologies coming in. We're going to need to organize discussions to be able to schedule because it won't be for just one company. It will be a product class or line of products that would be scheduled, and then people can get into that space and develop their products.

[Translation]

Mr. Pierre-Luc Dusseault: I see.

What I'm afraid of is that we're creating a regime involving many powers and that some individuals, subject to a variety of influences, will manage to convince the minister to add other products to schedule G in short order, while the regulatory process for the approval of medication or medical devices drags on for others.

• (1630)

[English]

Mr. David Lee: It's important to state that we do not want to create less of a safety or evidentiary standard. It may be that you do the same amount of work. It's just that we don't have old regulations from the 1960s governing, for example, a drug that's very advanced. We're seeing right now, for example, in artificial intelligence there is a rule in the medical device regulations that says every time you make a significant change you have to revalidate the software. For artificial intelligence, you would be constantly doing this.

It would be tailoring the requirements. It wouldn't be lifting away any safety requirements. It would be saying, for artificial intelligence, which hospitals are using now very beneficially, "This is something that's an advanced technology product. We're not going to make you revalidate. Here's the thing that we will do: We will look at your quality control system."

It's doing that without having to make a regulation for a whole number of years. It's not lowering the bar or making it easier or harder. It's actually tailoring the requirement.

We do share those concerns. That's why we regimented the schedule and we're making sure that we would have the safety requirements well in order.

The Chair: Mr. Sorbara.

Mr. Francesco Sorbara: I have a quick question. I'm not sure this applies to it but I think so.

In the case of biologics, how would this apply?

Mr. David Lee: Biologics right now are scheduled. They're regulated well in our regulations for the drugs. For the most part, companies will keep going through that pathway.

For example, some of the stem cell research and advanced cell work that we're seeing done in hospitals may not, with the manufacturing model, fit well within the biologics regulations. In that case, we would take a species of biologics and move them into that schedule so that we could tailor some of the requirements.

Many of the requirements will remain the same. You always need to show that it works the way we think it should, that it's safe within the disease it's treating and that there's a high-quality manufacturer. All those ground rules will still apply, but this is where again we need to be flexible with the biologics.

Biologics may thus straddle both their home, which they're in right now, but also this new pathway.

Mr. Francesco Sorbara: As biologics or personalized medicines become more and more available, developing any sort of national pharmacare plan and looking at developing a formulary is difficult, in the sense that as time advances, medicines become so personalized that you may have Jane Doe needing a certain medicine for breast cancer that you can't just list on a formulary because it's for Jane Doe. The system has to be flexible enough to incorporate that, or else the formulary, for all intents and purposes, is not very useful.

Mr. David Lee: Certainly from the Health Canada side, part of the reason we rationalize this pathway is, very much to your point, that in hospitals we're seeing more and more abilities to fabricate products right at bedside; you'll genetically inform a cell and put it in a patient. You're right. This is something that is creating a more personalized lens.

Certainly from the safety regulations standpoint we want to make sure we're getting it right. We may not see the big clinical trials that we used to see. It may be a one-time therapy. That's pretty disruptive for us. Usually we see drugs given over time and can see how patients are doing.

Some of these new models are thus going to take some thinking, but that's why we have it so that we can tailor the requirements. We are making sure that we're keeping in touch with health technology assessors and others who are currently dealing with these types of therapies.

The Chair: Are there any more questions on that division?

Ms. Ritchot, I'll let you introduce the next crew, on subdivision D.

Ms. Jeannine Ritchot: I think we're still at the table here, Mr. Chair.

It's Tim Krawchuk, from the Canada Revenue Agency. I'm sorry; I don't have my notes here.

Go ahead, Tim.

• (1635)

Mr. Tim Krawchuk (Manager, Excise Duty Operations – Alcohol, Canada Revenue Agency): Thank you very much.

This will be an amendment to the Importation of Intoxicating Liquors Act. It would remove the federal requirement that alcohol moving interprovincially be sold or consigned to a provincial liquor authority. Provinces and territories would still have the authority to control the sale and distribution of alcohol within their jurisdictions. The Importation of Intoxicating Liquors Act would only apply to alcohol imported into Canada. Finally, the amendment fulfills the commitment made during the first ministers meeting in December 2018.

The Chair: Are there questions?

Mr. Dusseault.

[Translation]

Mr. Pierre-Luc Dusseault: You're confirming that this is indeed a symbolic change but that, in actual fact, it will have no real effect on Canadian citizens.

[English]

Mr. Tim Krawchuk: You are correct. The provinces derive their power through the Constitution. We learned that in the Comeau case last year, and there was a prior Supreme Court case as well.

[Translation]

Mr. Pierre-Luc Dusseault: So is every statement the government makes to the effect that it's now making it easier to transport alcohol in Canada incorrect?

[English]

Mr. Tim Krawchuk: It's not incorrect; it's up to the provinces. Currently, there are three provinces that allow it to some degree. It's really the provinces that control it.

[Translation]

Mr. Pierre-Luc Dusseault: I see.

So there will be no major changes after the bill's passed, unless the provinces decide to do something.

[English]

Mr. Tim Krawchuk: That's correct. What it does, though, is send the message that the federal government is encouraging interprovincial trade, certainly in the area of alcohol.

The Chair: Pierre, you never know; you might be able to get some of that good P.E.I. moonshine yet if things go right.

Is that it for that subdivision?

Then on subdivision E, the Precious Metals Marking Act, we'll go to Mr. Schaan.

Mr. Mark Schaan: I'm going to cover at the same time subdivision E, the Precious Metals Marking Act, and subdivision F, the Textile Labelling Act, because they're related measures.

The proposed legislative amendment would expand the current regulatory authority in the act that allows for exemptions from labelling rules to be made by regulation. It's to allow for exemptions that are conditional on the performance of a certain action or actions. These proposed legislative amendments will not require subsequent regulatory amendments.

In 2000, the Standing Joint Committee for the Scrutiny of Regulations concluded that the Textile Labelling Act's regulatory authority is not broad enough to allow for certain of the textile labelling and advertising regulations that grant exemptions from labelling rules conditionally upon the performance of specific actions. In the absence of legislative amendments, such ultra vires regulations would have to be repealed and the Standing Joint Committee for the Scrutiny of Regulations could recommend disallowance by the Governor in Council, which would lead to undesirable consequences.

We've taken the opportunity at the same time as making this change to the Textile Labelling Act to do so as well for the Precious Metals Marking Act, which has exactly the same regulatory issue at play.

That means when a precious metal or a textile arrives that does not meet our current regulatory standards for labelling, instead of rejecting it outright, it can be brought in on a non-commercial basis, subject to the meeting of the conditions that are required. Essentially it gets relabelled before it actually enters the marketplace. It's a well-utilized function and we heard loudly from industry and others that, should this provision be struck down, there would be great risk of the possibility of deferred shipments and other things. This just cleans up two very long-standing statutes, both the Precious Metals Marking Act and the Textile Labelling Act.

The Chair: Does anyone have any questions?

Then on subdivision G, the Weights and Measures Act, we have Mr. Spicer or Mr. Cotton.

Mr. David Spicer: Mr. Chair, there are five amendments to the Weights and Measures Act. Most are proposed to remove prescriptivity in the current legislation.

For example, in clause 192, the definition of "measuring machine" is amended to remove the reference to "moving or movable part". This amendment is proposed to address the increasing number of measuring devices that no longer have moving parts, including those devices based on software for measurement or measurement-related apps.

In addition to that change, there is a similar ministerial regulation-making authority to that proposed for the Electricity and Gas Inspection Act, which I described earlier, that would add new units of measure with a similar rationale. These changes would allow the act to keep pace with international standards and the flexibility to allow new measurement approaches that may arise with new and unforeseen technology developments.

The other proposed amendments to the Weights and Measures Act would provide greater flexibility in the act, while others would align the act with international definitions.

• (1640)

The Chair: Are there any questions?

All right. That sounds pretty straightforward to me.

We'll turn to subdivision H, the Hazardous Materials Information Review Act.

Ms. Ritchot, do you have the names before you?

Ms. Jeannine Ritchot: Yes, Mr. Chair. Tolga Yalkin from Health Canada will speak to this subdivision.

[*Translation*]

Mr. Tolga Yalkin (Director General, Consumer Product Safety Directorate, Department of Health): Good afternoon, ladies and gentlemen.

To give you some context, Canadian law requires businesses to disclose on their labels the ingredients used in chemical products sold for use in the workplace.

[*English*]

That said, some companies consider their formulas trade secrets, and accordingly, they can file a claim to exempt a chemical product from the requirement to disclose its ingredients on the label.

When a company makes such an application to Health Canada, we review the other information that a company plans on providing a worker on the chemical product in question, including the hazard symbols, the precautionary statements and the first aid treatment in the case of exposure. We review that information obviously to make sure that it is sufficient and accurate to keep workers safe.

[*Translation*]

The proposed measures, although not radical, would make minor improvements to our process for considering the claims businesses make that their chemical formulas not be disclosed.

[*English*]

The first is removing the requirement that Health Canada be the guarantor of the information they do plan on providing workers on their chemical products as required by the law.

The second is replacing the Canada Gazette process for publishing individual product notifications with an online system. I want to stress that this is not about eliminating the gazetting process for new regulations. That would remain. Rather, it's about individual product notifications. That we are still gazetting these, I think, is really a reflection of the fact that the act in question was conceived of over 40 years ago, a time in which gazetting was really the only way to communicate to companies such notifications.

Other similar notifications you might be interested to know about, as well, for which Health Canada is responsible, such as relating to natural health product licences, drug sale authorizations and novel food safety assessments, for example, are not gazetted but are presented online.

The third is eliminating a heavy and cumbersome appeal process and leaving any disputes to be dealt with by way of judicial review.

The fourth is providing for more graduated sanctions for non-compliance.

The fifth is providing the Minister of Health with the authority under a very narrow set of circumstances to disclose chemical formulas where there is a serious or imminent danger to human health or safety.

That concludes my remarks, Chair, and I'm happy to take any questions.

The Chair: Are there any questions?

Mr. Dusseault.

[*Translation*]

Mr. Pierre-Luc Dusseault: How different is this new procedure from the current process for handling claims for exemption from the requirement to disclose the ingredients of a formula to the minister?

Mr. Tolga Yalkin: It's the same process as the one currently in place, the purpose of which is to review all information that must be presented to workers. As I mentioned, the idea is mainly to make minor improvements to the process. We want to make it more effective and efficient both for us at Health Canada and for the industry and to provide better protection for workers.

Mr. Pierre-Luc Dusseault: In what instances can someone claim an exemption from the requirement to disclose all ingredients?

Mr. Tolga Yalkin: All businesses are entitled to file a claim for exemption, and we usually grant them. We at Health Canada take the time to review all the information accompanying a claim for exemption and the information the business proposes to disclose to workers. We thus ensure that this information is fair and accurate so that workers can be better informed about any problems that might arise from exposure to the chemical products in question.

• (1645)

Mr. Pierre-Luc Dusseault: How much does it cost to file a claim for exemption?

Mr. Tolga Yalkin: Fees for filing claims for exemption depend on the number of claims filed. A single claim will cost \$1,800. If several claims are filed simultaneously, fees will be \$1,800 for each of the first 15 claims, \$400 for each of the next 10 claims, and \$200 for each of the claims filed after the first 25.

The cost to us to review and process claims is greater than the fees we take in.

Mr. Pierre-Luc Dusseault: Thank you.

[*English*]

The Chair: Are there any provincial or territorial considerations in this kind of a policy change?

Mr. Tolga Yalkin: That's a very good question, Chair. Yes, there is. Obviously, the federal government is not the main player when it comes to occupational health and safety. The provisions that exist in other acts—in the Hazardous Products Act—requiring the presentation of this information.... Although it's a matter of federal jurisdiction, it's something that provincial and territorial inspectors and authorities benefit from significantly: the uniform requirement to present information on these products.

We worked and consulted quite closely with the provincial and territorial regulatory authorities to ensure that the changes that were being proposed as a result of the consultation we engaged in with industry met, I think, with their approval and their consensus.

The Chair: Mr. Fragiskatos.

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

Mr. Yalkin, are we talking about having companies keep on their database images of hazardous materials so that they can be accessed on a continuous basis? Is this what this proposal is aiming at?

Mr. Tolga Yalkin: No.

Mr. Peter Fragiskatos: I could have it confused with something else.

Mr. Tolga Yalkin: Maybe. I suspect that you're probably thinking about the true copy requirement under the Hazardous Products Act.

Mr. Peter Fragiskatos: That's right. Is this something different?

Mr. Tolga Yalkin: Yes. These amendments relate to the Hazardous Materials Information Review Act, which is really the act that sets out the process we go through when a company wants to obscure the information it would otherwise have to present on its label.

Mr. Peter Fragiskatos: I have some familiarity with true copy, and what you're talking about shares some similarities with true copy, at least in the way you describe it. This has nothing...? We're talking about apples and oranges, are we?

Mr. Tolga Yalkin: They are two different issues. The documentation retention requirements under the HPA, the Hazardous Products Act, are totally unrelated to these particular amendments that are being proposed. They are different topics.

Mr. Peter Fragiskatos: All right. I just wanted clarification. Thank you.

Mr. Tolga Yalkin: It's a pleasure.

The Chair: Thank you.

Next is subdivision I, Canada Transportation Act, proposed regulatory modernization.

[*Translation*]

Mr. Sylvain Souligny (Director General, Legislative and Oversight Management, Department of Transport): Thank you, Mr. Chair.

Regarding the feedback we gathered from the regulatory review and the contributions of many transportation sector stakeholders, to which Ms. Ritchot referred earlier, Transport Canada is proposing two amendments to the Canada Transportation Act.

[*English*]

Clause 214 is in support of improved modern service delivery to Canadians and industry. Here we are seeking discretionary authority for the Minister of Transport to allow digital equivalency in cases in which existing legislation or regulations still require physical documents, for example, wet signatures, original copies, in-person transactions.

An example of this is in our marine personnel regulations. They currently require seafarers to provide original copies of medical examination reports. With this proposed amendment, the minister would be able to allow electronic submission.

[Translation]

We anticipate significant efficiency gains.

[English]

We also project reduced administrative burden, but importantly, an improved experience for Canadians and industry in transacting with Transport Canada.

[Translation]

Clause 215 is proposed in the context of transportation sector growth, which is based on new technologies.

• (1650)

[English]

For this particular clause, we're seeking authority for the Minister of Transport to grant, upon application, time-limited exemptions—five years—for the distinct and limited purpose of research, development or testing in the transportation sector.

This is not for certifying new products. The overarching objective is to allow for regulatory sandboxes and pilot projects so that industry may test new technologies, prototypes, processes or business models in a safe and controlled environment. This includes innovations that could produce safety, security or environmental protection benefits.

Exemptions would be subject to the necessary public disclosure. I want to point out that Transport Canada already has a robust exemption regime. This proposed amendment is not about seeking an authority that does not exist. It actually ensures a structured, consistent, transparent approach across all transportation modes and programs, putting much sharper focus on innovation.

In addition, the proposed amendment includes a number of safeguards to protect public safety, such as including a public interest test; providing clear authority for the minister to establish conditions and set enforceable safety and security parameters; allowing Transport Canada to maintain oversight; and providing the authority to repeal the exemption at any time, should there be safety or security concerns.

This will conclude my remarks. Thank you.

The Chair: Mr. Dusseault.

[Translation]

Mr. Pierre-Luc Dusseault: This last point concerns exemptions and public interest criteria. When the minister must authorize an exemption, is he required to publish the exemption and related conditions so the public can also monitor that technology?

Mr. Sylvain Souigny: Exactly.

The intention here is completely transparent with respect to the process. The conditions will be made public, regardless of whether the claim for exemption comes from a single entity or a group.

Mr. Pierre-Luc Dusseault: I see.

I assume they'll be published in the *Canada Gazette*?

Mr. Sylvain Souigny: If a group files a claim, the process of publishing in the *Gazette* applies, as does the Statutory Instruments Act.

The Statutory Instruments Act doesn't apply in the case of an individual entity. In those circumstances, the department and the minister may publish the information on our website, for example. The process is completely transparent. The matter may be raised in the *Gazette*, but the established authorities have a constant degree of flexibility under our present legislation.

[English]

The Chair: Are there any other questions?

I have just one. I attended the Canadian/American Border Trade Alliance meeting this morning. I'm certain they would be satisfied with electronic submissions at some of the border points.

How much co-operation is there in terms of determining the regulatory changes that are needed, and how much coordination is there with those on the American side?

Mr. Sylvain Souigny: It's a great question. In our approach to modernizing our regulations and our service suite, harmonization where appropriate is certainly of the essence.

Susan, do you want to add to that?

Ms. Susan Archer: Is your question regarding how much we've consulted with Americans on these provisions?

It's along the same lines, as Sylvain mentioned, as regulatory harmonization co-operation efforts. Through the Regulatory Co-operation Council and other fora we work very closely with our American friends in developing our regulations and looking for harmonization.

They are aware of these provisions, and we've gone from there.

The Chair: I think it's key, especially at all the border points on the 49th parallel. The more harmonization we have, the faster... Seconds mean a difference when you're trying to move commercial or truck traffic across those borders, so that would be great.

Are there any other questions from members?

Thank you for that, folks.

Next is the Pest Control Products Act, subdivision J.

Mr. Flint.

Mr. Jason Flint (Director General, Policy, Communications and Regulatory Affairs Directorate, Department of Health): Mr. Chair, clauses 217 to 219 propose changes to improve efficiency and remove some duplication in the Pest Control Products Act.

Just as a background, pesticides in Canada are regulated by Health Canada to protect health and the environment. Products undergo a pre-market scientific risk assessment before being authorized. Once registered, products are subject to cyclical re-evaluations. They're also subject to special reviews if new information comes to light about a registered product.

The issue revolves around the Pest Control Products Act, which requires a special review to be conducted every time another OECD member country removes all uses of a pest control product for health or environmental reasons. The way this is written, it can result in multiple reviews of the same issue having to be conducted, often at the same time.

The amendment proposed would allow Health Canada to combine multiple reviews into one special review, or to examine the issue as part of an ongoing special review or re-evaluation, provided it could be incorporated early enough in the review process to allow for a scientific assessment and consultation on the decision, or in some cases, not to conduct a review at all, if the basis of the foreign decision had already been considered previously by Health Canada and there was no new information.

In summary, this should provide some savings for both government and industry, if we can remove the requirement to do these duplicate special reviews.

• (1655)

The Chair: Mr. Dusseault.

[Translation]

Mr. Pierre-Luc Dusseault: In what instances is a special review initiated?

If certain countries decide to remove a product from their market, is that the only condition for a new special review to be conducted?

[English]

Mr. Jason Flint: Currently, a special review is triggered any time an OECD country removes all uses. Normally, if for any other reason we do a special review, there is a requirement that we have concerns that the health or environmental risks of a product were no longer acceptable.

This would apply if we get information in any way other than from a registrant company, or if it were provided as part of data from a province, or even if someone requested a special review. Any member of the public can request a special review. For those situations, we are required to actually initiate a special review to address that issue of concern, because we have a concern.

With respect to this particular provision for an OECD country, that test doesn't apply. There isn't that same test of there being a concern, so we have to initiate multiple special reviews, potentially, to address the same concern, which can come back.

Since 2013, we've done about 48 special reviews, 34 of which were for foreign decisions, the majority of which we had already addressed under other reviews or other decisions. The provisions that we're looking to get here would allow us to, in part, deal with that duplicative situation.

[Translation]

Mr. Pierre-Luc Dusseault: My question concerns the discretion granted to the minister to decide not to initiate a special review where he or she determines that no new information would emerge from it. Could the minister simply refuse to conduct a new review of certain products, such as pesticides? Can you confirm that information first?

Mr. Jason Flint: Yes. The minister would have discretion to decide whether there was other information on which to base his or her decision.

[English]

Currently, we have to look at a foreign decision. We have to look at the basis of that foreign decision. That wouldn't change. We would still need to do that. It would just be understanding that there was no additional information considered by the foreign government that we hadn't already considered in our own decision or we were not already considering in a decision that we had ongoing.

It doesn't change the requirement for us to look at these decisions and determine what the basis is. It just allows us to see that there is nothing new that this foreign government has looked at. Therefore, we wouldn't have to initiate another special review, because we've already considered all of the information, or we are considering the information in an ongoing review.

• (1700)

[Translation]

Mr. Pierre-Luc Dusseault: I see.

Will those decisions by the minister be made public or will they be made behind closed doors such that we wouldn't hear about them?

[English]

Mr. Jason Flint: We will be looking at making the information public. As I indicated earlier, there will be a consultation on any major decision we make. If we're doing a special review, we would be consulting on the decision and making sure that people had an opportunity to comment on those decisions.

If there are other foreign decisions where we are trying to say, "No, we've already considered it somewhere else", we would make public the results of our decision with regard to those foreign decisions.

[Translation]

Mr. Pierre-Luc Dusseault: You talk about costs to the government and industry. Do you mean that, when a new special review is conducted, the businesses concerned will pay the costs associated with it?

[English]

Mr. Jason Flint: The companies are not charged individual fees for the special reviews or re-evaluations. There is an annual regulatory charge that applies to cover these types of costs. However, whenever a special review is initiated, the companies that register their product are contacted and informed that the special review is going on, in case they have additional information that we should also be considering. We also contact the provinces to see if they have additional information that should be considered as part of our special review.

There can be additional costs for both ourselves to do these reviews, to publicly propose decisions, consult on them and publish final decisions, in addition to potential costs for provinces and/or the registrants if they are looking to have additional information provided to us.

The Chair: Basically, this change would prevent unnecessary duplication from countries whose system we have a great deal of trust in. That's basically the bottom line.

Will it do anything to get rid of the backlog on the re-evaluations?

Mr. Jason Flint: It will provide some relief, although it will not have a significant effect on the backlog. The backlog situation for re-evaluations is more significant than could be seen in the savings from this particular change.

The Chair: It's not the answer I wanted to hear, but it's the one that's there. That's what I figured.

The other thing that I know some people will be wondering about is whether this will in any way impact negatively the oversight of pesticides in terms of health concerns or whatever.

Mr. Jason Flint: No, it should not have any negative impact. As I indicated earlier, we're still going to have to be looking at foreign decisions. We're still going to have to make sure that we've considered all new information if concerns arise. Therefore, it should have no negative impact on health or environmental protection in regard to pesticides.

The Chair: That's it for me on that.

Does anybody else have questions?

Thanks to Ms. Evans and Mr. Flint.

On subdivision K, the Quarantine Act, we'll hear from Ms. Evans.

Ms. Cindy Evans (Director General, Centre for Biosecurity, Public Health Agency of Canada): Mr. Chair, I'll speak to subdivision K, as well as subdivision L, given their similarities.

The proposed legislative amendment to the Quarantine Act and to the Human Pathogens and Toxins Act would streamline the regulatory process under both acts by repealing the requirement for the Minister of Health to table proposed regulations before both Houses of Parliament prior to making new or updated regulations. This will allow the minister to proceed through the standard Governor in Council process, including prepublication and public consultation in the Canada Gazette. New or updated regulations under both of these acts would continue to comply with the cabinet directive on regulations.

The proposed amendments would put the Public Health Agency of Canada on level footing with other Canadian regulators and we will be more responsive to stakeholder needs for nimble, agile regulations that are kept up to date by facilitating the removal of outdated or ineffective regulations that may not be adequately protecting the public health and safety or may hinder innovation and economic growth.

Our ability to have up-to-date regulations will be a benefit for the Canadian public, for the travel and transportation sectors, and for the biotech and medical resource sectors.

• (1705)

The Chair: Are there any questions?

Cindy, it's a quiet bunch at the moment. It must be simple and straightforward.

With that, thank you to all of you for dealing with all those subsections.

We're moving to part 4, divisions 13 and 14. We'll start with division 13 and hear from Ms. Wiebe, the director general of air policy, and from Mr. Reble on the Aviation Industry Indemnity Act.

Ms. Wiebe, the floor is yours.

Ms. Sara Wiebe (Director General, Air Policy, Department of Transport): Thank you, Mr. Chair, and good afternoon.

Mr. Reble and I are here to speak to the committee today about the proposed amendments to the Aviation Industry Indemnity Act.

As a bit of background, the Aviation Industry Indemnity Act authorizes the Minister of Transport to issue one or more undertakings to Canadian aviation industry participants to provide coverage for aviation war risks that is consistent with commercial coverage, in circumstances where commercial coverage is not practically available.

These amendments amend the Aviation Industry Indemnity Act, or AIIA as we refer to it, to authorize the Minister of Transport to undertake to indemnify, first, Nav Canada for acts or omissions it commits in accordance with an instruction given under an agreement entered into between Nav Canada and Her Majesty respecting the provision of air navigation services to the Department of National Defence, and second, any beneficiary under an insurance policy held by an aviation industry participant.

In the case of Nav Canada's provision of service to the Department of National Defence or the Canadian Forces, the provision of an indemnity will, at minimum, be dependent on the signing of an agreement between Nav Canada and the Government of Canada that outlines what services will be provided to the Canadian Forces. These services will further the government's national defence mandate, not Nav Canada's civil air navigation services mandate. It has therefore been determined that it is appropriate for the government to assume responsibility for liabilities that may arise from actions taken by Nav Canada on the instruction of the federal government pursuant to such an agreement.

The intent of this act is to ensure commercial equivalent aviation war risk coverage is available to Canadian aviation industry participants if it is not practically available through commercial markets. As the act is currently drafted, beneficiaries named under a policy held by a participant can only receive funds through that participant. They cannot be paid directly. This is not consistent with commercial practice.

The amendments will ensure that, for example, if the participant becomes bankrupt, the beneficiary will still receive any indemnity that may be owing, through the government's indemnity. In both cases, the amendments will authorize, not guarantee or require, an indemnity to the relevant aviation industry participants or their beneficiaries. In either case, the decision whether to provide an indemnity will be subject to a determination by the Minister of Transport.

The government, led by Transport Canada, negotiated with Nav Canada an indemnity for their support of the Department of National Defence in December 2018. Should the two parties deem it appropriate to replace this indemnity with an indemnity under this act, Transport Canada would work with Nav Canada to negotiate the terms of that new indemnity.

I'm ready to answer any questions that the committee might have.

The Chair: Thank you very much.

Mr. Dusseault.

[*Translation*]

Mr. Pierre-Luc Dusseault: I'd like to clarify the question. Do military aircraft currently use Nav Canada's services? Do they have their own air navigation services?

• (1710)

[*English*]

Ms. Sara Wiebe: Thank you for the question.

The current exercises we refer to, which the Department of National Defence is undertaking, are supported by Nav Canada. The Department of National Defence looked at whether it would be viable or feasible for them to create their own air navigation services support. They found that it was much more feasible and efficient to use the services already established by Nav Canada.

[*Translation*]

Mr. Pierre-Luc Dusseault: If my understanding is correct, they don't use Nav Canada's services, but they're considering the possibility of doing so. Is that correct?

[*English*]

Ms. Sara Wiebe: They are currently using the services of Nav Canada.

[*Translation*]

Mr. Pierre-Luc Dusseault: Then I'd like to understand what problem we want to solve here.

[*English*]

Ms. Sara Wiebe: I mentioned the indemnity that the government entered into with Nav Canada in December of last year. The negotiation of that agreement took a number of years, and it was quite complex. It involved, for example, the government's making the funding decision to take on the liabilities associated with such an indemnity. To streamline the decision-making in the future, should a decision be made to replace the current indemnity, these amendments seek direct authority to be given to the Minister of Transport to issue such an indemnity.

The Chair: What would be the government liability here?

Ms. Sara Wiebe: That's a complicated question, because it depends on the scenario. For example, you have the worst-case scenario of an attack such as those that happened on the terrible day of September 11, 2001. That's a kind of worst-case scenario whereby there was a level of great impact upon the city of New York and various cities throughout the United States. In that case, the indemnity—the insurance coverage—was, and in the Canadian scenario could be, quite significant.

On the other hand, at the other end of the range, right now it covers off the training exercises that the Canadian Forces undertake with Nav Canada's support. It could then be something smaller in which the insurance payout would not be as significant. Essentially, sometimes, it could be an unquantifiable liability.

The Chair: Okay, that explains it.

Are there any other questions or comments?

Thank you very much, Ms. Wiebe.

We turn to division 14, Transportation Appeal Tribunal of Canada Act.

Mr. Jones and Mr. Fryer.

Mr. Keith Jones (Acting Director, International Marine Policy, Department of Transport): Chair, I'm here to speak about a proposed amendment to the Transportation Appeal Tribunal of Canada Act, the TATC Act for short. By way of background, what the tribunal does is it provides an independent mechanism for recourse for anyone affected by a licensing or enforcement decision by either the Minister of Transport or the Canadian Transportation Agency under various federal pieces of legislation regarding transportation.

Last fall, a number of amendments were made to the Marine Liability Act, including the ability to impose administrative monetary penalties. The proposed amendment to the TATC Act is designed to align the two pieces of legislation and to ensure that the tribunal can hear any appeal of an administrative monetary penalty issued under the Marine Liability Act.

I'm afraid I don't have anything more than that. I'm prepared to take any questions.

The Chair: Are there any questions?

Should this streamline the process, then?

Mr. Keith Jones: It is a clarification. It is to ensure—to make it absolutely clear—that the tribunal can hear appeals of administrative monetary penalties levied under the Marine Liability Act.

• (1715)

The Chair: Okay.

You look as though you're thinking, Pierre, but you're not thinking out loud just yet. That's a good sign.

Thank you very much, folks. That will complete divisions 13 and 14.

We'll go to division 17, the Federal Courts Act.

If committee members are wondering about divisions 15 and 16, they have been transferred to other committees for the moment and will eventually come back to us.

We have Ms. Richer and Ms. Berthiaume from Justice Canada.

The floor is yours.

[*Translation*]

Ms. Adèle Berthiaume: Good afternoon.

[English]

We're here to discuss with you the provision that increases the number of judges at the Federal Court by three.

These additional judges are required to deal with the expected surge in cases due to the proposed changes to the asylum system. The capacity of the system is increasing from the current 26,000 asylum claims a year to 50,000 asylum claims a year. As the increases of the capacity of the asylum system are applied, the volume of cases to the Federal Court will of course increase.

The analysis of the forecast depends on the caseload assumptions that have been provided by client departments, and many efforts are made to make sure that those are accurate and as solid as possible. It's important to avoid developing backlogs at the Federal Court, which would only slow down the asylum matters and could affect the overall jurisdiction of the Federal Court.

It is always harder to catch up on backlogs when they develop. That's why it's important for them not to develop. If the Federal Court becomes the choke point in the system, the objectives of the asylum system won't be met, and that would be unfortunate, given all of the work and the important effect that this initiative is going to have.

That's my short summary. We are happy to address any questions you may have.

The Chair: Are there any questions?

Mr. Dusseault.

[Translation]

Mr. Pierre-Luc Dusseault: Is this addition of three judges a direct consequence of division 16 of the bill? Is it in anticipation of a large number of cases winding up in Federal Court?

Ms. Adèle Berthiaume: Yes, it's a direct consequence of that. Cases are processed in several stages and may wind up in the Supreme Court.

The number of cases definitely declines as the stages are completed and depending on the decisions made. However, many of those cases will have to be decided by the Federal Court. That may cause a major problem, particularly regarding asylum claims, as I said, but also for all cases heard by the court.

Mr. Pierre-Luc Dusseault: I know we can debate the merits of division 16 and the pressure it will put on the Federal Court. I think these cases should be decided instead by the Immigration and Refugee Board of Canada or as part of a pre-removal risk assessment rather than by the Federal Court. But that's an entirely separate issue.

Will these three new judges focus specifically on immigration cases, refugee status claims and asylum claims, or will they simply be added to the number of available judges?

Ms. Adèle Berthiaume: All Federal Court judges have various responsibilities. There's no specific group handling immigration or refugee matters, for example, although those matters form a significant part of their work. They regularly check to see how things are going, the percentages and so on. That's closely looked at. The purpose of adding judges is to ensure that this initiative is a

success, but, for the moment, the Federal Court is acting more as a general court.

• (1720)

Mr. Pierre-Luc Dusseault: I have a final question. As you confirmed, division 17 is related to division 16. What will happen if division 16 doesn't carry? If, in a scenario that, for the moment, is completely hypothetical, the government decided to delete all the provisions of division 16, would it be necessary to retain division 17?

Ms. Adèle Berthiaume: I'm not the one who makes those decisions. That division and those positions are definitely in the act to improve the system.

Ms. Katherine Richer (Senior counsel, Immigration, Refugee and Citizenship Canada Legal services, Department of Justice): This division is definitely related to the other one. Your question should be put to the people who'll be appearing before the other committee because it's directly related to the budget that's been granted to increase the court's capacity. These matters are now before the other committee.

Mr. Pierre-Luc Dusseault: Thank you.

That's all for me.

[English]

The Chair: Are there any other questions?

This really has to do with workload, correct?

Ms. Katherine Richer: It's very unusual, indeed. It has almost purely to do with workload. It's not necessarily directly related to the amendments that are before the other committee.

Budget 2019 approved an increase to the capacity of the immigration tribunal to deal with, before, 26,000 asylum cases a year, but because of the surges we've been seeing, a capacity of 50,000 claims is now being requested.

In terms of the moment you double the capacity of the tribunal, we have the calculations—or sorry, not me but my client, which is Immigration, Refugees and Citizenship Canada. They have done the calculations through to how much litigation that means will end up at the Federal Court.

The Chair: Say five years down the road we go the other way. Will there be a willingness to shrink the number of judges in the court system?

Ms. Katherine Richer: It would require another amendment to the Federal Courts Act to change the number.

The Chair: We wouldn't want them sitting around idle.

Ms. Adèle Berthiaume: No. That's monitored on a regular basis to see what their workload is and how the court is dealing with it. We can't say ahead of time.

Those judges wouldn't be removed, because for judicial independence, once a judge is appointed, you wouldn't be able to do that, but the need for new judges, because of other initiatives, would be taken into consideration. We'd know that there are other things happening that will require those judges.

The Chair: You could reduce them by attrition, right?

Ms. Katherine Richer: That's correct.

The Chair: As they move out of the system, there has to be some time we have to slow this increasing....

I'd better not get into that.

The cost of this, between judges salaries and court costs, and so on, is \$1.65 million in the first year.

There's also a cost on the other side. If we're not dealing with these cases quickly enough, there are all the costs on that side, too. Do you have any idea what those costs are?

Ms. Adèle Berthiaume: Do you mean the total cost for the whole initiative?

The Chair: I don't mean on the judge side. If we're not dealing with the asylum cases properly, we're paying some of those costs in terms of housing, and so on. Do you have any idea what the cost is on that side?

We're investing \$1.65 million. I expect there has to be a balance or a return here somehow.

• (1725)

Ms. Katherine Richer: Do you mean, what would be the cost to the court if a backlog were...?

The Chair: What would be the cost of leaving a backlog in place?

Ms. Adèle Berthiaume: The impact is on all the other cases. It means that justice for other people who are involved in that system.... They are not getting—

The Chair: They're not getting justice.

Ms. Adèle Berthiaume: They're not getting justice and they're waiting a long time to get that. It bogs down the court and it therefore creates other effects also.

The Chair: It's a mushrooming effect.

Are there any other questions on the Federal Courts Act, on division 17? None?

Arnold, are you just stretching?

Thank you both.

We'll turn to division 18, concerning the National Housing Act.

Division 18 and division 19 officials are at the table, I'm told.

Who is to lead off?

Ms. Leach.

Cynthia, I'll let you introduce your folks, and we'll go from there on national housing.

Ms. Cynthia Leach (Director, Housing Finance, Capital Markets Division, Financial Sector Policy Branch, Department of Finance): My name is Cynthia Leach. I'm the director of housing finance at the Department of Finance.

Mr. Robert Sample (Director General, Capital Markets Division, Financial Sector Policy Branch, Department of Finance): I'm Robert Sample, director general of capital markets division at the Department of Finance.

Mr. David LeDrew (Senior Advisor and Economist, Department of Finance): I'm David LeDrew, senior adviser, housing finance.

The Chair: The floor is yours.

Ms. Cynthia Leach: Thank you.

Division 18 of part 4 amends the National Housing Act to allow CMHC, the legislative authority, to deliver the first-time homebuyer incentive announced in budget 2019.

The first-time homebuyer incentive is a unique financing model that will help make home ownership more affordable for first-time homebuyers. The incentive would provide eligible first-time homebuyers with funding of 5% or 10% of the home purchase price. This would give eligible first-time homebuyers the ability to lower their borrowing costs by sharing the costs of buying a home with CMHC. The buyer would repay the incentive later, for example, on resale.

The amendments allow CMHC to acquire an interest or right in a housing project that is occupied or intended to be occupied by the owner of the project and to make an investment in order to acquire such an interest or right. The amendments also clarify that the Minister of Finance will approve terms and conditions for the incentive program.

We're available for your questions.

The Chair: Mr. Sorbara is next, and then it will be Mr. Dusseault.

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

Is there any estimation of how many first-time homebuyers this plan would assist?

Ms. Cynthia Leach: The department has estimated that the program could assist up to 100,000 buyers over the three years.

Mr. Francesco Sorbara: When do we anticipate the structure to be put in place?

Ms. Cynthia Leach: As the budget announced, the implementation is planned for September for the first-time homebuyer incentive.

Mr. Francesco Sorbara: Okay. I'll stop there.

The Chair: Mr. Dusseault is next, and then Mr. Viersen, and then Mr. Poilievre.

[*Translation*]

Mr. Pierre-Luc Dusseault: You're going to be able to acquire an interest or, let's say, shares—up to 10%—in housing projects. Is that correct?

[*English*]

Ms. Cynthia Leach: I'm sorry; I didn't catch that.

[*Translation*]

Mr. Pierre-Luc Dusseault: Under these two subsections of section 57, you'll be able to acquire an interest and shares in housing projects in Canada?

[*English*]

Ms. Cynthia Leach: Thank you for the question.

The program provides up to 5% funding for an existing property and 10% funding for a newly built property.

Yes, the amendments allow CMHC the authority to deliver on the program and to provide that funding.

• (1730)

[Translation]

Mr. Pierre-Luc Dusseault: I see.

How can the purchaser take advantage of the program in question?

Will it be automatic, or will it be up to you to determine in each case whether it's worthwhile to invest in the project?

[English]

Ms. Cynthia Leach: As the budget announced, there are certain eligibility criteria that the prospective buyer must meet in order to qualify for the program. This includes an annual household income limit of \$120,000, as well as a mortgage loan-to-income limit of both the first insured mortgage and the incentive of four times income. Beyond that, there are still terms and conditions to be released by the Minister of Finance in the coming month.

[Translation]

Mr. Pierre-Luc Dusseault: Let's talk about a scenario in which the program would be developed. Will the arrangement be decided at the time of purchase of the property and of the signing of the mortgage taken out at the financial institution, or will it have to be done in advance?

In other words, will a certain form of agreement have to be reached before the buyer goes to the financial institution to proceed with the purchase?

[English]

Ms. Cynthia Leach: Those types of application process issues are still being sorted out and will be announced with the terms and conditions in the coming weeks.

[Translation]

Mr. Pierre-Luc Dusseault: I see.

That's unfortunate because we're being asked to vote on this provision without having the details. You're telling us they'll follow, but in what form? Will they be transmitted to us by regulation or simply by an announcement and a policy published on a website?

[English]

Ms. Cynthia Leach: It will not be by regulation. There will be an announcement. The government hasn't determined how it wishes to make that announcement, but I imagine it would be released by CMHC on its website.

[Translation]

Mr. Pierre-Luc Dusseault: Has anyone determined the cost of this measure to the Canada Mortgage and Housing Corporation, or CMHC?

Do you have enough cash to take part in this kind of program, which will potentially require substantial funding?

[English]

Ms. Cynthia Leach: As the budget announced, there's a program cap of \$1.25 billion over the three-year program. Beyond that, terms and conditions will provide more information about the program risks and how they're being managed.

The program parameters announced in the budget are one example of how they limit the risk to CMHC and the taxpayer. For example, the borrower would still need to qualify under mortgage rules for the insured mortgage in order to be eligible for the program.

[Translation]

Mr. Pierre-Luc Dusseault: You say you'll also talk later about the risks inherent in this kind of undertaking, in the event you acquire an interest in housing projects in Canada.

However, according to the scenario, what would happen if the owner of a housing project could no longer make his payments or became insolvent and the bank or financial institution virtually took possession of the property?

What would happen to your interest in the financing—5% or 10%—of that housing project?

[English]

Ms. Cynthia Leach: Those types of specifics will be outlined in the terms and conditions to follow. It would depend on the conditions under which the buyer is required to repay CMHC and the repayment amount, and those things still need to be specified in the terms and conditions to follow.

[Translation]

Mr. Pierre-Luc Dusseault: Will the buyer then have to make payments to both the financial institution and CMHC.

[English]

Ms. Cynthia Leach: The idea is that the first-time homebuyer incentive has no ongoing monthly payment, so no ongoing principal or interest payments. Because there are not those payments on the incentive, it will allow the borrower to potentially reduce their monthly mortgage costs.

[Translation]

Mr. Pierre-Luc Dusseault: I read somewhere that it will be payable on the sale of the property. So that's when CMHC will be able to recover the invested money.

Perhaps you have shares in housing projects that present a risk. Will you assess the number of people who may wind up in default of payment? Have you conducted risk assessments on the number of cases or the number of housing projects that present a risk?

• (1735)

Mr. Michel Tremblay (Senior Vice President, Policy, Research and Public Affairs, Canada Mortgage and Housing Corporation): I can answer that question.

We obviously don't assess every case individually. However, we consider various scenarios to determine what might happen. But it's difficult. We don't know where the buyers will be. The market may vary from one region of the country to another.

As Ms. Leach mentioned, we develop scenarios and assessing risks, but not on a case-by-case basis. It's more of an analysis.

Mr. Pierre-Luc Dusseault: I see.

It's unfortunate we don't have more details, Mr. Chair, since we're being asked to approve these provisions in the act.

[English]

The Chair: Thank you, Mr. Dusseault.

We'll turn to Mr. Poilievre and then Mr. Viersen.

Hon. Pierre Poilievre (Carleton, CPC): Thank you, Madam Leach, for your presentation.

In the event of mortgage default loss, who would first take the hit, the Canadian taxpayer through CMHC or a bank?

Ms. Cynthia Leach: It depends on the structure of the program, the exact legal structure of the first-time homebuyer incentive, and that has not been announced yet. It will be something announced as part of the terms and conditions.

Hon. Pierre Poilievre: What is the highest price of a home for which a buyer would qualify for this kind of incentive?

Ms. Cynthia Leach: It's a function of the borrower's down payment on the insured mortgage as well as of his or her income. Because there's a \$120,000 income limit as part of the incentive, for a borrower at that income limit, the maximum house price range would be from about \$505,000 to about \$565,000, approximately. It increases, then, with the higher borrower down payment.

Of course, the first mortgage has to be insured, and insured borrowers occupy a different market segment from others in the overall market. Insured buyers tend to be first-time homebuyers who purchase lower-priced properties as they get into the housing market.

Hon. Pierre Poilievre: You said the first mortgage. You imply that there would be two mortgages on the house.

Ms. Cynthia Leach: The exact structure is not determined, but the idea is that the borrower has to qualify initially for an insured mortgage in order to be eligible for the incentive.

Hon. Pierre Poilievre: Is that before even taking into consideration the effect of the incentive on the buyer's ability to support the borrowing for the house?

Ms. Cynthia Leach: Yes. The prospective borrower would have to qualify for an insured mortgage under the existing mortgage rules.

Hon. Pierre Poilievre: That wasn't my question. The question is, would they have to qualify without the incentive first and then receive the incentive, or would the incentive itself be taken into consideration when determining whether or not the buyer qualifies?

Ms. Cynthia Leach: I guess you could say the incentive would be taken into consideration to the extent that the incentive reduces the size of the initial insured mortgage. The idea is that the borrower would qualify on the now reduced size of the insured mortgage.

Hon. Pierre Poilievre: Okay.

Mr. Michel Tremblay: To be clear, the borrower also has to qualify for an insured mortgage in the first place, so they need to meet the parameters under mortgage loan insurance.

Also as a point of clarification, it's not just CMHC and the government; they could be going through a private insurer also on the first mortgage. It could be insured by Genworth, or by Canada Guaranty as well.

Hon. Pierre Poilievre: But they would have to qualify for insurance based on the assumption that they are getting the first-time

homebuyer incentive. That's what I understand from Madam Leach. Do I have that correctly?

Ms. Cynthia Leach: I think so, yes.

Hon. Pierre Poilievre: Okay.

I just want to make sure I understand this, though. Would they first go and qualify for insurance and, having qualified, then go and apply for the first-time homebuyer incentive? Or, when they're applying for insurance in the first place, would they be able to consider the homebuyer incentive as part of the down payment required to be insured in the first place?

• (1740)

Mr. Michel Tremblay: Go ahead.

Ms. Cynthia Leach: I think it's more the latter. The application process hasn't been outlined; it will follow. The idea is that applying for the insured mortgage should take into account that the availability of the incentive, if the borrower qualifies for it, would be able to reduce the size of the insured mortgage. That insured mortgage size would be the basis on which they would qualify.

One other point of clarification of the incentive is that because the borrower has to qualify under existing mortgage insurance rules, the incentive would not decrease the down payment required for an insured mortgage. There are minimum down payment requirements, and the incentive would not change that.

Hon. Pierre Poilievre: For example, to be insured you need 5% or 10% down. You can't use the first-time homebuyer incentive to cover that down payment?

Ms. Cynthia Leach: The down payment varies from a minimum of 5% up to about 7.5% at the \$1 million price limit. As you said, the incentive cannot be used to reduce that. Rather, the incentive, similar to a down payment, reduces the size of the insured mortgage, so it allows you to reduce the size of your insured mortgage without increasing your down payment, therefore lowering your borrowing costs.

Hon. Pierre Poilievre: Okay.

Did you say you expect 100,000 people to use this per year for three years, or 100,000 over three years?

Ms. Cynthia Leach: I would estimate 100,000 over the three-year program.

Hon. Pierre Poilievre: If that is fully subscribed, does the budget provide for any additional funds, or is it capped at this level for now?

Ms. Cynthia Leach: The budget announced program funding up to \$1.25 billion.

Hon. Pierre Poilievre: Is that enough to give 100,000 people this incentive?

Ms. Cynthia Leach: That is to be determined. There are many unknowns with respect to the program, including borrower take-up, and—

Hon. Pierre Poilievre: I'm talking about the maximum, though. Assuming that there is borrower take-up and all of that, are we more or less capped at about 100,000 buyers who will benefit from the first-time homebuyer incentive?

Mr. Robert Sample: The size of the first-time homebuyer incentive that each borrower takes on is a variable that needs to be worked through as there is borrower pickup. The program parameter that we could speak to is the \$1.25-billion envelope.

Hon. Pierre Poilievre: Okay.

Let's say that CMHC, through this program, takes a 10% share in a first-time homebuyer's house, that the house is purchased for \$400,000, and that the market takes off and over the course of a few years the house doubles in value and is now an \$800,000 house. Will the amount that the homebuyer has to pay back to the government now have risen to \$80,000?

Ms. Cynthia Leach: The repayment terms, including the payment amounts, have not been announced. That will be coming in the terms and conditions.

Hon. Pierre Poilievre: That's a little strange, because Evan Siddall, who runs CMHC, has said publicly that the repayment to the government will go up if the value of the property increases. Why is it that he believes that those terms are determined, when Finance officials do not?

Mr. Michel Tremblay: I think what Cynthia was saying is that they haven't been finalized. Your example was a straight, proportionate amount. We haven't decided how it will actually work.

Hon. Pierre Poilievre: But there are really only two ways it can work. One is to treat it as an interest-free loan, whereby the principal is fixed and paid back nominally at the time of the home sale, or it's an actual share in the house and that share's value rises as the house appreciates. It has to be one of those two.

Ms. Cynthia Leach: In many shared equity mortgage models that exist in Canada and other jurisdictions, you have an element of appreciation and depreciation sharing. That's something we're looking at. The exact mechanism or the exact repayment amounts are not yet decided.

Hon. Pierre Poilievre: It's rather a big deal. This is not a small detail. We're really determining whether the government is going to own part of a person's house or whether it's just an interest-free loan. We're supposed to launch this thing in September. We're already into May, and we don't know that? How is that possible?

• (1745)

Ms. Cynthia Leach: Finance and CMHC officials are working to provide advice to the minister, and we expect those terms and conditions to be available in the coming weeks.

Hon. Pierre Poilievre: Okay.

If the house depreciates in value, will the taxpayer take a loss at time of sale?

Ms. Cynthia Leach: Similar to the comment on appreciation, many shared equity mortgage models internationally and in Canada include some elements of depreciation sharing to balance the risks with the appreciation sharing. But once again, the exact repayment mechanism or terms are yet to be announced.

Hon. Pierre Poilievre: Has any other jurisdiction tried this kind of scheme before?

Ms. Cynthia Leach: Yes. There are examples in the United Kingdom, as well as within Canada.

Hon. Pierre Poilievre: Are they still in place and still being offered?

Ms. Cynthia Leach: I think there's a mix. Yes, some of them are still being offered. Some of them are not. I can't at this moment speak to the particulars of each of those as to why some may or may not be, but we can get back to you.

Mr. Michel Tremblay: Also, in Canada, there are some that are not government run but non-profit run, as Cynthia mentioned, and that are still up and running.

Hon. Pierre Poilievre: On the one run by the British government, is the British government still offering this?

Mr. Michel Tremblay: I'd have to check. We can get back to you.

Hon. Pierre Poilievre: I understand that the British Columbian government started a similar initiative. Is that the one in Canada that you were referring to, Ms. Leach?

Ms. Cynthia Leach: As Michel said, there are several in Canada, some by the not-for-profit sector. I believe the prior B.C. government did have a program.

Hon. Pierre Poilievre: Is it still operating?

Ms. Cynthia Leach: I believe not.

Hon. Pierre Poilievre: I want to understand how this is being financed. Will any of the funds come from CMHC's reserve capital?

Ms. Cynthia Leach: This program will be separate from CMHC's commercial mortgage insurance and securitization businesses. It will be funded via loans from the Crown borrowing program.

Hon. Pierre Poilievre: It will be a loan from the consolidated revenue account.

Ms. Cynthia Leach: Basically, yes.

Hon. Pierre Poilievre: Does money provided to CMHC through this program impact the budgetary balance of the Government of Canada?

Ms. Cynthia Leach: To the extent that the program affects the net income of CMHC, it would be consolidated in the public accounts and affect the budgetary balance. I think there are some assumptions you have to assume there in order to answer the question.

I don't know, Michel, if that's something we can get back to the member on or....

Mr. Michel Tremblay: Again, it's depending on what the take-up is. There is a cost, obviously, from the government side, from actually lending money to CMHC, but to the extent that we're paying it back.... There's a cost to administrating the program, obviously, and then the variable will be the decisions the government makes—the Minister of Finance—in terms of how we share our gains and losses.

Hon. Pierre Poilievre: Page 304 of annex 2 in budget 2019 allocates only \$121 million to CMHC over the four years to administer the first-time homebuyers incentive program, yet the budget document states that this will be a \$1.25-billion program. Can you explain the distinction?

Ms. Cynthia Leach: Yes. Those are the estimated costs over the first five years of the program. They include interest costs for the loans that CMHC will receive from the Crown borrowing program to provide funding under the program, as well as CMHC operational costs and small credit risk provisions. What is not included are assumptions around appreciation or depreciation in the assets.

Hon. Pierre Poilievre: Okay.

Also, then, was a loan risk assessment conducted for this initiative before it was announced?

Ms. Cynthia Leach: There are a lot of factors that have not yet been announced as part of the terms and conditions that will be important to that risk assessment, so—

Hon. Pierre Poilievre: Has it been done?

Ms. Cynthia Leach: We are working on that internally with CMHC.

Hon. Pierre Poilievre: When will it be completed?

• (1750)

Ms. Cynthia Leach: I'm not sure.

Hon. Pierre Poilievre: Can you commit to the committee that it will be released to us when it is?

Ms. Cynthia Leach: I cannot.

Hon. Pierre Poilievre: Can no one on this panel commit to that?

Ms. Cynthia Leach: It's not within our power.

Hon. Pierre Poilievre: That's unfortunate. I appreciate that is not within your power, and that it is not your decision, unfortunately, that the government has decided to put significant quantities of Canadian tax dollars at risk without being prepared to reveal those risks to Canadian taxpayers.

The next question is, will the shared equity mortgages provided under the scheme be securitized under the NHA MBS program?

Ms. Cynthia Leach: That is not the intention, no.

Hon. Pierre Poilievre: If a bank issues one of these mortgages, decides it wants to securitize it and goes to CMHC for securitization, would such securitization be prohibited given that the homebuyers incentive is already part of the scheme?

Ms. Cynthia Leach: The insured mortgage would be what would be issued by the bank or other financial institution. That element is currently able to be securitized under CMHC securitization programs provided it meets appropriate parameters. That would continue to be

the case. The shared equity mortgage component, the incentive, would be held by CMHC, and that would not be securitized.

Hon. Pierre Poilievre: Okay.

Has the government or the department ever considered allowing shared equity mortgages to be provided by private lenders?

Ms. Cynthia Leach: Yes. The department looked at a range of options for shared equity mortgages and the program response to the housing affordability needs.

As well, there's another initiative announced in the budget to lower the incentive, which is the shared equity mortgage provider fund. CMHC will provide \$100 million in loans to existing shared equity mortgage providers or prospective shared equity mortgage providers in the non-government space—the not-for-profit or private sectors—to try to encourage increased activity or participation in that space.

Hon. Pierre Poilievre: How many mortgages are issued by not-for-profits and private sector lenders right now?

Ms. Cynthia Leach: I do not have that number on me.

Would you know, Michel?

Mr. Michel Tremblay: Are we talking about just shared equity mortgages?

Hon. Pierre Poilievre: Shared equity mortgages, yes.

Mr. Michel Tremblay: I don't have the numbers of all of them, but I know that Options for Homes in Toronto, which primarily does business in the Toronto area, has issued I think something like 2,700 over its history. I can't remember how long they've been in business, but—

Hon. Pierre Poilievre: Is this a particular organization you're referring to?

Mr. Michel Tremblay: Yes.

Hon. Pierre Poilievre: Okay.

Will the shared equity mortgages have a maturity date or will they simply mature at the time of disposition of the house?

Ms. Cynthia Leach: That would be part of the repayment triggers that are currently being discussed and would be part of the terms and conditions to follow.

Hon. Pierre Poilievre: Will any interest ever be charged on the shared portion of the loans?

Ms. Cynthia Leach: The budget announced that while the incentive is outstanding there will be no ongoing monthly payments—no ongoing principal and interest payments. Beyond that, further details will be available on—

Hon. Pierre Poilievre: Then there could be maybe some interest charges that come at the end of the time of the home sale.

Ms. Cynthia Leach: The terms and conditions will specify the repayment amounts and triggers.

Hon. Pierre Poilievre: Will homeowners be able to make lump sum or early payments against the shared equity mortgage loan?

Ms. Cynthia Leach: That's a good question. Once again, that's something that's going to be specified as part of the repayment triggers in the terms and conditions that follow.

Hon. Pierre Poilievre: If someone got a better job than they thought, for example, and made extra money or, more likely, inherited dollars from a deceased parent, you can't tell us if they would be allowed to just pay this off to get it off their personal balance sheet.

Ms. Cynthia Leach: I cannot tell you at this time, but it is something that's being discussed.

Hon. Pierre Poilievre: Public accounts documents for 2018 show that CMHC has paid a special dividend of \$5.6 billion to the Government of Canada. The process of CMHC paying out dividends to the federal government is a fairly new one. Will the funds for the shared equity mortgage program be provided through these dividend payments to the consolidated revenue account?

• (1755)

Ms. Cynthia Leach: As I said previously, the dividend is related to CMHC's commercial mortgage insurance and securitization programs. Those are the programs that fall under the dividend framework for Crown corporations, so the incentive program will not affect the dividends paid to the government or paid out under that framework.

Hon. Pierre Poilievre: Which programs again? Securitization and...?

Ms. Cynthia Leach: Mortgage insurance.

Hon. Pierre Poilievre: Mortgage insurance, right. Okay.

Excellent. That's all I have.

The Chair: Thank you, Mr. Poilievre.

Mr. Viersen, are you off the list now? Okay.

Mr. Richards.

Mr. Blake Richards (Banff—Airdrie, CPC): My colleague Mr. Poilievre asked the vast majority of the questions that I sought to get some clarity on. I do have one that remains.

However, I will point out that while I know it's not the fault of the officials here and certainly lies squarely on the government itself, it is very troubling that we don't have any of the answers. For just about every question that was asked, there was not an answer and no details were provided. We're expected to vote on an initiative of this magnitude, where we're talking about \$1.25 billion, having no knowledge of how this will be structured, what the outcome will be and whether taxpayers will be exposed to any kind of risk. This is quite troublesome.

The one question I did have that remains was with regard... Actually, it has kind of skipped my mind now. Is there anyone else on the list? Obviously, I'll come back to it, if you have anyone else in mind.

The Chair: I don't have anyone else on the list.

Is there anyone?

Are you okay?

Mr. Blake Richards: I guess I'll have to come back to it.

The Chair: Yes. There will be an opportunity when we go to clause-by-clause consideration as well, Blake.

Mr. Poilievre, you're on.

Hon. Pierre Poilievre: What is the current size of the securitization program of CMHC at present?

Ms. Cynthia Leach: I think David has that, Chair.

Mr. David LeDrew: It currently has \$488 billion of guarantees in force.

Hon. Pierre Poilievre: How much has that increased in the last five years?

Mr. David LeDrew: For the last five years, I don't have that number. In the last year, it looks like it has increased by about \$16 billion.

Hon. Pierre Poilievre: Sixteen billion. Would you be able to share that information with the yearly book of CMHC's securitization program and its size with the committee?

Mr. David LeDrew: Yes, I can.

Hon. Pierre Poilievre: I suspect you can pull it out of the annual reports.

The Chair: Just send it to the clerk as quickly as you can. He'll distribute it to the committee.

Mr. Richards is on deck now.

Mr. Blake Richards: It came back to my mind. The one question that I had remaining was about the effects on pricing. I'm wondering if any analysis has been done, both in looking at other government programs in other jurisdictions and also just in modelling on this, on the effects that might be expected on pricing.

Particularly when we're talking about new home sales and where we're talking about 10% being provided here, is there any expectation, based on that analysis, of pricing being inflated as a result of the fact that buyers now see that they'll be getting 10%? Of course, builders—

Mr. Michel Tremblay: I apologize. I don't have the breakdown between new and resale, but our overall analyses show that the incentive, based on the parameters we know at this time, would cause an increase of about 0.2% to 0.4% on house prices.

Mr. Blake Richards: There is an expectation of some upward pressure on the prices, then, and I think that's all the more reason why the details of this are so important. At the end of the day, I think the challenge that a lot of first-time buyers face is having to save for that down payment, rather than the size of the mortgage. Certainly, that was my experience, having worked in the industry.

If we're talking about any amount of upward pressure on those prices, that just makes the problem worse. The bigger problem that first-time buyers face is actually going to be negatively impacted by this policy. I think those details are all the more important, and we don't seem to have any of them.

Anyway, thank you. I appreciate it. I know it doesn't rest at your feet that we don't have those details. It obviously rests at the Trudeau government's feet, so no criticism to you, but it is unfortunate that we can't get those details.

• (1800)

The Chair: Yes. That's not the officials' responsibility.

Mr. Poilievre.

Hon. Pierre Poilievre: Yes, and I hope the officials don't interpret our criticism as being directed at them. They clearly know their files very well, but they can only work with what they're given, which unfortunately isn't very much.

Mr. Tremblay has said that this program could lead to a 2% to 4% increase in prices.

Mr. Michel Tremblay: I'm sorry. That's 0.2% to 0.4%.

Hon. Pierre Poilievre: Okay. It's 0.2% to 0.4%.

On the issue of appreciation, have you done any analysis on the amount of appreciation this program caused where it's been tried on a large scale before?

Mr. Michel Tremblay: Do I understand your question correctly? Have we done analysis as to the impact on pricing in other jurisdictions where it's been tried before?

Hon. Pierre Poilievre: Yes.

Mr. Michel Tremblay: We have not tried to do that, primarily because housing markets, even within Canada, are very distinct as to how they'd react. Some of the larger programs we've mentioned, such as the U.K. program, had much fewer limits.

One of the things we're trying to do to contain, actually, the rise in housing prices is to have this targeted. That's why it's first-time homebuyers. That's why it's people who already qualified for insured mortgages, whereas in the U.K. the program was much less restrictive. It wouldn't have been a comparative in terms of the impact on prices.

Hon. Pierre Poilievre: You threw in an adverb there that has confused me.

I understood that people were going to be able to use the homebuyers incentive to help them qualify. You said that this will be available to people who have already qualified. Which is it?

Mr. Michel Tremblay: I meant the people who qualify for mortgage loan insurance.

Hon. Pierre Poilievre: Yes, I know that, but is it qualify without having received the incentive or qualify because they have received the incentive?

Mr. Michel Tremblay: That will depend on the final terms and conditions.

Hon. Pierre Poilievre: Presumably if someone is helping to make a down payment for you, it helps you qualify, but you said this is going to be available to people who have already qualified. There is a big distinction.

There's a young person out there who doesn't currently qualify for mortgage insurance because he can't muster the down payment or his income isn't high enough, but what if someone came along and said, "Well, what if I helped you out and gave you \$20,000 assistance with your down payment? You can give it back to me when you sell the house." Then he might qualify.

I guess my question is, are people able to use this in order to qualify, or must they have already qualified in order to use it—chicken or egg?

Mr. Michel Tremblay: Sorry, they have to have qualified.

Hon. Pierre Poilievre: They have to have qualified without the incentive.

Mr. Michel Tremblay: This was not envisioned to be a down payment assistance program.

Hon. Pierre Poilievre: People who can't qualify right now will not be able to use this in order to qualify.

Mr. Michel Tremblay: If they don't have a down payment, they won't be able to qualify.

It could help in terms of their debt service coverage ratio and so forth, but they need to have that 5% down payment.

Hon. Pierre Poilievre: They can't use it to cover the down-payment portion that is necessary to obtain mortgage insurance.

Mr. Michel Tremblay: That's correct.

Mr. Robert Sample: That's correct.

Hon. Pierre Poilievre: Can the reduced monthly payments help them meet the stress test?

Ms. Cynthia Leach: As I said, the insured mortgage portion can be reduced because of the incentive without increasing the down payment. The stress test would apply, for example, on that reduced insured mortgage size.

Recall that the budget announced criteria for the incentive itself, not just the \$120,000 income limit but the mortgage loan to income limit. The idea there is that the program parameters for the incentive targets the program to those most in need of support for housing affordability while maintaining the prudent lending standards, including the insured mortgage rules.

Hon. Pierre Poilievre: What again is the maximum loan-to-value ratio that one must meet to qualify for this incentive?

● (1805)

Ms. Cynthia Leach: The loan-to-value ratio would be the down payment requirements for an insured mortgage. The minimum requirement is 5%, and that applies to homes priced under \$500,000. For homes above \$500,000 that go up to the \$1 million price limit in the insured space, there's 10% on the portion above. The minimum down payment varies across the space from 5% to 7.5%.

Hon. Pierre Poilievre: You said earlier that the maximum value of a house purchased under this plan would be about \$565,000.

Ms. Cynthia Leach: The house price, not the loans value. Yes.

Hon. Pierre Poilievre: The house price.

Ms. Cynthia Leach: Yes.

Hon. Pierre Poilievre: So how did we get up to \$1 million in—?

Ms. Cynthia Leach: Sorry, I thought you were asking about the maximum loan-to-value ratio for the borrower under the insured mortgages.

Hon. Pierre Poilievre: Oh, yes, under the insured...but I'm talking for this program.

Ms. Cynthia Leach: Under the program, as I said before, the maximum house price would be a function of a borrower's income and down payment. For example, with someone who puts the minimum down payment of 5% and who is at the income limit of \$120,000, the house price limit would be around \$505,000.

Hon. Pierre Poilievre: And the maximum?

Ms. Cynthia Leach: It depends on the terms and conditions, specifications, for what the maximum down payment is. For example, most insured buyers who are first-time homebuyers have high-ratio mortgages, so loan-to-value ratio is above 80%. In that case, someone would be able to have a house price of \$565,000—around there—if they put down, for example, 15%.

Hon. Pierre Poilievre: Right, so no one could expect to buy a house of more than \$565,000 by using this incentive.

Ms. Cynthia Leach: Those are the house price ranges applicable to the incentive.

As I said before, the insured market space—

Hon. Pierre Poilievre: For the incentive, I mean. I'm only referring to the incentive at this point.

Ms. Cynthia Leach: Yes.

However, because the incentive applies, there's a requirement that you must have an insured mortgage. This is targeting first-time homebuyers, who typically have insured mortgages.

As I said before, the house price ranges in which they buy tend to be more entry-level housing. The market-wide house prices are not really reflective of the house prices in this particular space. The house price ranges we just discussed cover a large majority of insured buyers, based on our data.

Hon. Pierre Poilievre: I have one final question about the overall direction of government policy with respect to CMHC. It has been the objective of the federal government for roughly the last 10 years—maybe a little shorter, nine years—to de-risk CMHC, de-risk the taxpayer and put the risk in the hands of the banks who profit from the mortgages, thereby matching profit with risk, a basic market principle. CMHC has been diligent in trying to achieve that goal. Does it not seem like it puts us at cross-purposes to increase CMHC's risk and the amount of skin the Canadian taxpayer has in the property game?

Ms. Cynthia Leach: As was stated before, the program balances the need to target housing affordability with maintaining prudent lending standards. As Michel alluded to, some of the program parameters are intended to contain the risks borne by CMHC and by taxpayers. Further information on that will be available in the terms and conditions.

Hon. Pierre Poilievre: How big is the insured mortgage book of CMHC right now, Mr. LeDrew?

Mr. David LeDrew: It's \$448 billion.

Hon. Pierre Poilievre: That has stayed constant now for about six years?

Mr. David LeDrew: You can correct me if I'm wrong, but it has been trending downwards.

Hon. Pierre Poilievre: Yes, that's what I thought. Will this reverse that course? The \$1.5 billion, that's just an accounting cost. Was the

\$1.25-billion cost associated with this just an accounting cost that doesn't reflect the amount on the CMHC book, which will be much larger, presumably?

Mr. Michel Tremblay: That depends on whether you're talking about our insurance book or the shared equity mortgage. Obviously, as Cynthia pointed out—

Hon. Pierre Poilievre: They're separate.

Mr. Michel Tremblay:—their shared equity mortgage will be on our balance sheet.

Hon. Pierre Poilievre: You mean the federal government's balance sheet or CMHC's?

Mr. Michel Tremblay: It'll be on our balance sheet, which ultimately gets consolidated with the government's. The reality is that the mortgage loan insurance base, not just CMHC but the whole, is actually potentially going to go slightly down because of this program. So it might have some small impact.

• (1810)

Hon. Pierre Poilievre: Presumably, the idea is that the mortgage would be reduced—

Mr. Michel Tremblay: Yes.

Hon. Pierre Poilievre:—because it would be absorbed. Okay, I understand.

Thank you.

The Chair: That's an interesting discussion, folks.

Mr. Dusseault.

[Translation]

Mr. Pierre-Luc Dusseault: What we just heard isn't simple. I just want to be sure I have a clear understanding of the eligibility criteria for this incentive.

Do you have to be pre-qualified for a mortgage loan guaranteed by CMHC before applying for the incentive?

Am I looking at things in the right order?

[English]

Ms. Cynthia Leach: The borrower would need to be qualified for an insured mortgage. It doesn't have to be with CMHC. It could be with one of the two private insurers, Genworth or Canada Guaranty, but, yes, they would have to be qualified based on that insured mortgage and meet all the requirements of mortgage insurance.

[Translation]

Mr. Pierre-Luc Dusseault: Why is the government saying this will increase access to ownership if all those benefiting from the program already qualify for mortgages?

[English]

Ms. Cynthia Leach: As we mentioned earlier, the program can be used to offset the cost of servicing a mortgage. The incentive allows you to decrease the size of the insured mortgage without commensurately increasing the down payment, as you would have to do without the incentive.

In doing so, it would lower a monthly borrowing cost and could allow you, for example, to use those extra monthly funds for something else.

[Translation]

Mr. Pierre-Luc Dusseault: So it doesn't increase access to ownership; it makes it less costly.

[English]

The Chair: Thank you.

That's division 18.

We'll go to division 19. If we could get through the national housing strategy act before we have to go and vote, it would be great.

Mr. Tremblay.

Mr. Michel Tremblay: Thank you, Chair.

I won't introduce myself, because I've already been introduced.

[Translation]

I'm accompanied by Mark Young, director of our legal service.

[English]

We are here to provide an overview of the proposed national housing strategy act. The Government of Canada has taken significant strides to advance the progressive realization of a right to adequate housing with the launch of the national housing strategy in 2017 that prioritizes the needs of the most vulnerable. The proposed national housing strategy act would further this advancement by requiring the government to develop, maintain and report on a national housing strategy, and by creating new accountability and participatory mechanisms.

[Translation]

The bill underscores the importance of housing for the dignity and welfare of people living in Canada. Under this bill, a national housing council with diversified representation, including persons who have experienced housing-related needs and who have previously been reduced to homelessness, would be established. The council would make policy and research recommendations to the minister responsible for housing.

The bill also contemplates the creation of a federal housing advocate position the incumbent of which would be appointed by the Governor in Council. The housing advocate would commit, to individuals and households representing vulnerable groups, to respond to systemic housing issues. The advocate would prepare an annual report, including recommendations, on the measures necessary to address those issues. The minister would be required to table the advocate's report and a response to Parliament within a prescribed time frame.

[English]

That concludes our presentation, Mr. Chair. It will be our pleasure to answer any questions the committee may have.

The Chair: Are there any questions?

Mr. Dusseault.

[Translation]

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

Mr. Tremblay, does this bill establish that housing is a right?

Mr. Michel Tremblay: Thank you for the question.

This bill acknowledges the importance of housing for the dignity of Canadians, and that is a fundamental step toward the gradual realization of the right to housing, as agreed upon in the economic, social and cultural commitment that Canada has observed since the 1970s. As I mentioned, it establishes participation processes and significant accountability mechanisms that Canada previously didn't have.

● (1815)

Mr. Pierre-Luc Dusseault: That right isn't yet established; it will be established gradually, is that it?

Mr. Michel Tremblay: That's correct, yes.

Mr. Pierre-Luc Dusseault: Do you think it would be possible to establish housing as a right in this legislation?

Mr. Michel Tremblay: I think we've struck a good balance in the bill. We conducted consultations across Canada over several months starting in March, and the bill is consistent with what we heard from the Canadians and groups consulted.

Mr. Pierre-Luc Dusseault: I see.

[English]

The Chair: If there are no further questions, I will thank all of you for a very fruitful discussion. I think it was a very interesting exchange.

I have to say, Ms. Leach, that you know your stuff. Thank you very much.

Hon. Pierre Poilievre: Agreed. Well done.

The Chair: Now we'll turn to division 20, the proposed poverty reduction act, and division 21, the Veterans Well-being Act.

Maybe they'll end up cancelling that vote.

Folks, sorry to just get you to the table and the bells started to ring.

We will have to suspend because it is a 15-minute bell. We'll probably be back in half an hour.

● (1815)

_____ (Pause) _____

● (1850)

The Chair: We shall reconvene, and we'll start with the poverty reduction act.

We have Karen Hall, director general, social policy directorate, and Hugues Vaillancourt, senior director, social development policy division.

The floor is yours.

Ms. Karen Hall (Director General, Social Policy Directorate, Strategic and Service Policy Branch, Department of Employment and Social Development): Good evening. Thank you for the chance to be here today.

As the committee knows, on August 21, 2018, the government released “Opportunity for All - Canada’s First Poverty Reduction Strategy”. The poverty reduction act included in the BIA legislates the commitments made in that strategy. The legislation proposes to set an official measure of poverty: Canada’s official poverty line.

Canada’s official poverty line is based on the cost of a basket of goods and services that individuals and families require to meet their basic needs and achieve a modest standard of living in communities across the country. This will provide the government with a measure of poverty to track progress towards the strategies to concrete targets for poverty reduction by 2020, reducing the poverty rate by 20% from its 2015 level and, by 2030, reducing the poverty rate by 50% from its 2015 level.

These targets have been included in the legislation. Also included in the legislation is the national advisory council on poverty. The advisory council, should the legislation pass, will have the mandate to advise the Minister of Families, Children and Social Development on poverty reduction and to table a report in Parliament each year on the progress that has been made towards poverty reduction.

Thank you.

• (1855)

The Chair: You are up Mr. Poilievre, and then Mr. Dusseault.

Hon. Pierre Poilievre: Do you have a list of everything that’s in the market basket?

Ms. Karen Hall: I don’t have that with me today, but I could certainly provide it to the committee.

The market basket measure is calculated by Statistics Canada.

Hon. Pierre Poilievre: When is the basket expected to be updated next?

Ms. Karen Hall: There is a review under way at this point in time. We are expecting that the basket will be updated for the release of the Canadian income survey next year.

Hon. Pierre Poilievre: So it will be updated in time to include the basic income survey data in it.

Ms. Karen Hall: Yes.

Hon. Pierre Poilievre: Who will approve the final composition of the list of basket items?

Ms. Karen Hall: Statistics Canada is responsible for the statistical element of the basket and Employment and Social Development Canada is responsible for the policy content of the basket.

Hon. Pierre Poilievre: Who will approve what’s in the basket?

Ms. Karen Hall: It’s a joint effort between the two departments.

Hon. Pierre Poilievre: Will it require ministerial sign-off?

Ms. Karen Hall: I think that remains to be determined.

Certainly the statistical portion is within the ambit of the chief statistician, so that falls fully within the purview of Statistics Canada.

Hon. Pierre Poilievre: What is the criteria for determining what gets into the basket and what doesn’t?

Ms. Karen Hall: I think it depends a little on which element we’re speaking about. For example, questions of statistical methodology related to—

Hon. Pierre Poilievre: That’s not what I’m looking for. I’m asking about the items that are in the basket.

What are the criteria to determine what items are in the basket?

Ms. Karen Hall: Well, Statistics Canada is responsible for the statistical element and the policy elements are for ESDC.

Hon. Pierre Poilievre: Thank you.

Now that we’ve cleared up that Statistics Canada will do the stats and Employment will do the policy, who decides what is in the basket?

Ms. Karen Hall: I think I would just respond again to the question of what is in the basket. The statistical elements are decided by Statistics Canada and the policy elements are decided by ESDC.

Hon. Pierre Poilievre: I will define what I mean by basket, then.

The market basket measure is based on the assumption that there is a certain number of goods and services that a person needs to have a modest standard of living. If you add something to that basket, then you increase the number of people who can’t afford it. If you subtract something from the basket, then you reduce the number of people who can’t afford it.

In other words, the poverty rate can move up and down based on what is in the basket. It’s different from the other measurements. LIM is very mathematical, very simple. It’s median income divided by two. Anyone below that is considered low income. LICO is very simple, very mathematical. Anybody who spends more than 20% as a share of their income on basic necessities of life than was the case in 1992 is considered to be poor. It’s mathematical. There is no human intervention at all. It’s literally just mathematical. Above it, you’re not in poverty; if you are below it, you are.

The market basket measurement has a whole basket of stuff that we say you need in order to have a modest quality of life: a house, presumably some form of transportation, food, etc. If you add a bunch of things like a smart phone, for example, then you move the poverty line very dramatically, through human discretion rather than a mathematical measurement.

That’s why I’m coming back to the question again. Who decides what’s in that basket?

Ms. Karen Hall: If I may, the market basket measure has been calculated since the early 2000s. It’s a measure that has been in place over time. It was rebased in 2008 through the similar sort of measure review that’s under way now. It’s a measure that does provide, as you said, a basket of goods and services that are determined to form the basis of a modest but basic standard of living across the country.

It's available in 50 different locations across the country. Ranging from rural areas to urban Alberta, there are 50 different locations all across the country. It provides a very precise measure of poverty in different places which is an advantage compared to the LIM or the LICO.

The basket itself is something that we will be working on with Statistics Canada. Statistics Canada has undertaken a consultation process over the last few months. It has spoken with the provinces and territories. It has spoken with stakeholders. It has spoken with people with lived experience in poverty, because we felt it was very important to ensure that people who lived in poverty have the opportunity to provide input on the basket and what they considered to be important for their standard of living.

We did an online consultation. Then, in addition, Statistics Canada did an "ask me anything" session which was an opportunity to take questions, but also to hear from a wide range of Canadians. The input that's been received from that whole range of consultations is also going to be taken into consideration by Statistics Canada in determining the contents of the basket.

• (1900)

Hon. Pierre Poilievre: You told me about the consultation and who was consulted. Now my question is: Who will decide?

Ms. Karen Hall: The contents of the basket are a joint decision between Statistics Canada and ESDC depending on the nature of the item that's being determined.

Hon. Pierre Poilievre: Is there a working group between them?

Ms. Karen Hall: There is very close consultation. I work very closely with my counterpart. We have an ADM data committee that meets.

Hon. Pierre Poilievre: There is a reason that this is so important. As I said earlier, the other measurements are very mathematical. There's very little that humans can do to change that level. It's a formula; it's set. This is a measurement that allows for a lot more human discretion, and therefore, a lot more politics. It's very important for the purposes of transparency, given that you're asking us to pass a law making this the official measurement, that we know who makes the decision about what is included in the basket of goods that someone needs to be able to have to be considered above the poverty line. We're not hearing from you any answers about who is that decider. Is it a minister?

The Chair: There would have to be ministerial sign-off on the basket that's proposed by this combination of Statistics Canada and ESDC.

Ms. Karen Hall: I will confirm this with the committee but my understanding is that it has been with officials to date. With the MBM becoming the official poverty line, it is an opportunity to reconsider the sign-off and the authority for the basket itself. Again, the statistical element remains within the purview of Statistics Canada.

For example, it's important that the basket include a measure of transportation. Previously, under the 2000 base, it included, I believe, a Chevrolet Cavalier. For the 2008 basket, that was updated to a more recent model of car. The question would now be, is it appropriate to have a car or a vehicle for transportation within the

basket? If so, then Statistics Canada will determine how that should be measured.

Hon. Pierre Poilievre: With new technology, are you going to add new things? For example, does someone need to be able to afford a wireless tablet to be considered to be above the poverty line?

Ms. Karen Hall: I think the basket evolves with time. For example, previously there was a measure in the basket related to videotape rentals. That is likely no longer a cost or an appropriate thing to include in the basket. It may be that a phone package with data and cellular is an appropriate thing to be included in the basket. That's something we will be looking at, modernizing and updating the basket to ensure that it remains relevant.

Take, for example, the measure of nutrition included in the basket. There was a measure used in the past. Statistics Canada is working with Health Canada to look at the basket for nutrition. For clothing, there's a very specific set of clothing. I believe it's two pairs of shoes per child per year. There's a question about whether that should be a bit more discretionary—different families will need different types of clothing—but still have an amount for clothing within the basket.

• (1905)

Hon. Pierre Poilievre: I would just put it on the record that the challenge for people over time is that as you're adding these things into the basket, you're going to be changing the measures. You could have a vast improvement in the overall quality of life for lower-income people—a vast improvement—and yet still see the poverty rate go up. If you're adding things to the basket that literally didn't even exist 10 years earlier, then effectively what you could be doing is.... You have the same group of people who are earning more, living longer, are healthier, are more educated, are happier and more satisfied, and yet the poverty rate keeps rising because these unknown people in the bureaucracy or at the political level are putting more and more things into the basket. Or, theoretically, they could be taking things out of the basket, and therefore artificially lowering the poverty rate.

What assurance can you give us that this doesn't happen using this measure?

The Chair: Mr. Vaillancourt, go ahead.

Mr. Hugues Vaillancourt (Senior Director, Social Development Policy Division, Social Policy Directorate, Strategic and Service Policy Branch, Department of Employment and Social Development): Perhaps I could just point to the draft legislation. There's a review provision in the legislation that speaks a little bit to what you mentioned. The legislation provides for StatsCan to determine when a review must be conducted. It's proposed subsection 7(2), if you're looking for it.

It's supposed to be reviewed on a regular basis, as determined by Statistics Canada, to ensure that the basket, as it exists, is allowing for people to have a reasonable basket of services and goods that allows them to meet a modest standard of living.

Hon. Pierre Poilievre: I realize there will be a review conducted by people, but you can have 10 people review and 10 people come back with different answers as to what needs to be in the basket to have a modest standard of living. The average teenager would tell you it's absolutely unreasonable to be a 13-year-old without an iPhone. Their parents might have a different opinion. In fact, among parents themselves, there might be 10 different opinions in 10 different households.

The fact is that this is not a mathematically based definition. It is a definition based on a review by officials and by politicians, which means that the definition could be a moving target. Do you have anything to address that problem?

Mr. Hugues Vaillancourt: The objective of the review is to make sure that the basket gets updated on a regular basis to make sure that the basket of goods and services allows Canadian families to meet basic needs.

Hon. Pierre Poilievre: Thank you.

The Chair: I think we've probably exhausted that line, but in terms of the market basket, once decided, is that information made public?

Ms. Karen Hall: Yes, it is. Statistics Canada has robust publications on the contents of the basket. It is my understanding that there is an intention to release a "what we heard" report in the coming months that will summarize the consultation and provide additional information.

The Chair: So if there's a dispute over the makeup of the basket, we can all raise questions in the House if we have a problem.

Mr. Dusseault and then Mr. Fragiskatos.

[*Translation*]

Mr. Pierre-Luc Dusseault: I'm going to continue on the same subject.

Would it be helpful or conceivable to leave this ultimate decision to the chief statistician, who isn't considered a politician and who is independent? Should it be expressly stated in the act that this decision should be made by an independent person like him?

Mr. Hugues Vaillancourt: The bill states that Statistics Canada is responsible for triggering a periodic review of the makeup of the consumer basket. That's all the bill prescribes for the moment.

Mr. Pierre-Luc Dusseault: I'm speaking to my colleagues around the table. We could consider clarifying who should make the final decision rather than remain vague about it.

My other question concerns the official poverty line and the other metric.

Subsection 8(1) of the new Poverty Reduction Act provides that other metrics will be set out in a schedule, which may be amended by the Governor in Council. That will pave the way to the use of other metrics that won't be set out in the proposed act. I checked and the schedule in question is empty for the moment.

Why provide for a mechanism enabling the minister to establish other metrics simply by order?

• (1910)

[*English*]

Ms. Karen Hall: That provision is there to allow flexibility in the future. The strategy itself includes a dashboard of indicators. We have the market basket measure of the official poverty line as sort of the headline or the first among equals of the indicators. There are 12 other indicators that are laid out in the strategy itself that provide a view of the multi-dimensional nature of poverty, ranging from food security, literacy, asset resilience, etc. Those indicators together provide a fuller picture of poverty across Canada and complement the market basket measure.

The provision in the act allows specification of additional measures to be in legislation. For the moment, the market basket measure is specified, and then we'll have the dashboard of indicators. It's intended that the dashboard will be made public and will be available on the Statistics Canada website in due course.

[*Translation*]

Mr. Pierre-Luc Dusseault: So the dashboard presents indicators based on a set of data that can be used to assess the poverty line and the degree to which objectives are being achieved, and not just indicators pertaining to the consumer basket. Is that correct?

Mr. Hugues Vaillancourt: Yes. It reflects the fact that a person's income is not the only factor to consider in determining the poverty line. There are several factors, and the purpose of the dashboard is to provide more information on the various aspects of the poverty problem.

Further to my colleague's remarks, I would note that the bill provides a schedule but that, for the moment, only the official poverty line is contemplated in the bill.

[*English*]

Ms. Karen Hall: If I may, I'd like to pull out my copy of the strategy, which we'd be pleased to provide to the committee. Page 14 of the English version of the strategy specifies the full list of indicators. First there's the market basket measure, and then there are four indicators for each of the three pillars of the strategy.

The dignity pillar, which focuses on lifting Canadians out of poverty by ensuring that basic needs are met, includes food security, unmet health care needs, unmet housing needs and chronic homelessness, and deep income poverty.

Under the opportunity and inclusion pillar, the indicators relate to helping Canadians join the middle class by promoting full participation in society and equality of opportunity. Those indicators focus on literacy and numeracy, youth engagement, relative low income and the share of the population in the bottom 40% of the income share.

The third pillar focuses on resilience and security, supporting the middle class by protecting Canadians from falling into poverty and by supporting income security and resilience. The indicators under that pillar include the median hourly wage, poverty entry and exit rates, the average poverty gap and asset resilience.

It's intended that all of these will be made public. It's all existing Statistics Canada data with existing methodologies, but it will be grouped together in a hub or a single spot on the Statistics Canada website that will facilitate analysis. The intention is that the full datasets will be available so that those who are interested can drill down and build tables, compare data and have an opportunity to really get into the data to undertake analysis to the extent that they would like to do that.

• (1915)

[Translation]

Mr. Pierre-Luc Dusseault: Thank you.

[English]

The Chair: Thank you. We'd appreciate it if you could provide that information or the link to where we can find it.

We'll now go to Mr. Fragiskatos and then back to Mr. Poilievre.

Mr. Peter Fragiskatos: Thank you, Mr. Chair. Thank you to the officials.

Is Canada alone in putting in place the market basket measure as a measure of poverty? In other words, have other countries used it as a measure of poverty?

Ms. Karen Hall: The market basket measure is a made-in-Canada measure focused on the Canadian context and circumstances.

Mr. Peter Fragiskatos: In taking a made-in-Canada approach, does it reflect the fact that we've never really had an official poverty line in Canada?

Ms. Karen Hall: I think it's fair to say that the market basket measure provides a view into what's required for a modest but basic standard of living in Canada. To date, there has not been an official poverty line for Canada, and in the poverty reduction strategy and in the legislation the official poverty line has been identified with the market basket measure.

Mr. Peter Fragiskatos: When countries don't have an official poverty line, what are some of the challenges this presents for social policy, specifically policies meant to address the problem of poverty? What challenges result from having a patchwork quilt, so to speak, where we know what poverty looks like in one part of the country but not in other parts? Without a set definition, I would assume that it becomes much more difficult to address the problem of poverty, does it not?

Ms. Karen Hall: The measures that we have, the three main measures of income—the LIM which is a relative measure, the LICO, which is a slightly different type of measure related to the relative affordability of housing, shelter, and one additional measure—provide a relative view into what Canadians can and can't purchase. I think the market basket measure does provide a view that is geographically more sensitive. The LICO is available for seven different community sizes, but the market basket measure gives a very specialized view of the cost of living across the country from, say, a community in Alberta of less than 30,000 people, all the way to Vancouver.

Mr. Peter Fragiskatos: When you say “geographically more sensitive”, I assume that this would help us understand what the experience of poverty looks like in London, Ontario, compared to Montreal, compared to Vancouver, compared to rural and remote

parts of the country. We can have a more accurate understanding of what poverty really looks like and the experience of it for people going through it, whereas before we couldn't really come to such a view.

What we're measuring here are the essentials necessary for a dignified life, yes?

Ms. Karen Hall: Yes. The strategy includes a graph of the market basket measure and the cost of living for the basket in the regions across Canada. We see in rural Quebec that this basket is about \$32,000 for a family of four. In Alberta communities of under 30,000 people, that same basket costs \$40,777. It certainly does give a sense of the disparity and the amount of income that's required to fund the same standard of living across the country.

Mr. Peter Fragiskatos: Okay, we can compare and contrast now in a very serious way, in ways that we could not before.

My last question for you is this: Where are we in terms of fighting poverty? Statistics Canada recently came out with some figures. Poverty is on the decline. Is that correct?

Ms. Karen Hall: Yes, the most recent Canadian income survey results were released a few months ago, and those results indicated that the poverty rate in Canada had fallen to 9.5%, which is the lowest.

• (1920)

Mr. Peter Fragiskatos: That's the lowest we've seen. Is that correct?

Ms. Karen Hall: That's the lowest we've seen, yes.

Mr. Peter Fragiskatos: The Canada child benefit has had a dramatic and very positive effect on making this happen. Is that correct?

Ms. Karen Hall: The Statistics Canada release indicated quite clearly that the Canada child benefit has played a very important role.

Mr. Peter Fragiskatos: Can you tell me what we know as a result of the fact that it's a means-tested policy that's tax-free? This obviously puts more money in people's pockets and therefore allows families that have dealt with the problem of poverty to lift themselves up, yes?

Ms. Karen Hall: The CCB is income tested, and it provides additional resources to low-income families. That is the case.

Mr. Peter Fragiskatos: Finally, refresh my memory on the universal child care benefit, the predecessor to the CCB. There was a tax applied. Is that correct? It was not tax-free.

Ms. Karen Hall: The universal child care benefit was taxable, yes.

Mr. Peter Fragiskatos: Thank you very much. I appreciate it.

The Chair: Now we'll move over to Mr. Poilievre.

Hon. Pierre Poilievre: Do you have LICO statistics from the year 2005 until the year 2015?

Ms. Karen Hall: I'm afraid that I don't have those easily with me at the moment.

Hon. Pierre Poilievre: They would show you the biggest drop in poverty in Canadian history under any government since the LICO was collected. They also show a significant drop in child poverty, which not only happened under the Conservative government, but also happened uniquely in the OECD during the great global recession. UNICEF literally singled out Canada and said, “What the hell is going on over there? Poverty is dropping among children in the middle of a great global recession.”

What I take some satisfaction in is that the Liberals, who so strongly opposed giving money to parents because they worried, in their words, that all the money would be blown on beer and popcorn —

Mr. Peter Fragiskatos: I didn't say that.

Ms. Kim Rudd: I didn't say that.

Hon. Pierre Poilievre: —the Liberal Party spokesman for the Prime Minister's Office at the time said that.

The Liberals came around to our view that giving money directly to parents would actually work in reducing poverty, so they adopted our policy and took it further.

The Chair: Made it better.

Hon. Pierre Poilievre: You know, we always welcome that kind of plagiarism. They thought our policies were so good that they wanted to do even more of them, and we're glad they did because it's the right approach. I think the debate is over now between the previous Liberal approach, which was to pump money into bureaucratic systems in favour of one day building up a government-run day care program, and a policy of giving money to parents because we trust that they actually know what to do with their own kids. That has definitely been a success.

The Chair: Is there a question here?

Hon. Pierre Poilievre: Now I wish that the market basket measurement went back to 2005. I think that it came into place in 2006, if I'm not mistaken. Is that right?

Ms. Karen Hall: I thought that it was 2002, but I can confirm that for the committee.

Hon. Pierre Poilievre: Okay, if you wouldn't mind, I would like to have a look at the numbers on that. I know that if you look at LICO, which is the longest-standing consistently available measurement of poverty in Canada, you can see a historic drop under the previous government to record low levels despite great global economic difficulties.

My final question, though, is this: Can we just get a confirmation that you will be sending a list of all the items that are currently in the market basket so that we can examine that list?

Ms. Karen Hall: What I will undertake to do is contact my colleagues at Statistics Canada to find the most complete publication they have available, which would include the methodology for the market basket measure. We will arrange to have that provided to the committee.

Hon. Pierre Poilievre: Okay, but just wait a second here. Are we going to get the list, though? I didn't understand that answer. You said that you were going to get the most complete list that's

available. I presume there would have to have been a complete list available for the measurement to actually be conducted, so there must be a complete list.

The Chair: I understood that to be the case, Pierre, that Statistics Canada would have the complete list available in its publication, and that will be provided to the clerk.

Ms. Karen Hall: Exactly.

Hon. Pierre Poilievre: Excellent. Thank you.

The Chair: You can provide that to the clerk, Madam Hall.

Are there any further questions? Is there no further debate? No Canada child benefit or anything like that?

• (1925)

Hon. Pierre Poilievre: No, that debate is over. We won.

The Chair: Okay. We'll move on then from division 20.

Thank you, Madam Hall and Mr. Vaillancourt.

We will turn to the Veterans Well-being Act, with Ms. Elizabeth Douglas, director general with VAC.

Ms. Elizabeth Douglas (Director General, Service Delivery and Program Management, Department of Veterans Affairs): Good evening, and thank you for the opportunity to be here.

On April 1, 2018, the education and training benefit was introduced. The ETB is a taxable benefit that provides up to \$40,960 in funding for veterans with at least six years, or 2,191 authorized paid days, of Canadian Armed Forces service, and up to \$81,920 for veterans with at least 12 years, or 4,382 authorized paid days, of CAF service. This covers tuition, fees, supplies and some incidental and living expenses for participants when they are attending school.

Currently, the ETB is not available to supplementary reserve members; however, due to a lack of educational and training opportunities for veterans who are supplementary reserve members, VAC will expand access to the ETB for these persons. This approach will help to ensure that veterans who are supplementary reserve members do not have to choose between remaining as part of the supplementary reserve or receiving the education and training benefit. Expansion of the ETB to supplementary reserve members will be implemented on July 5, 2019.

Thank you.

The Chair: We're open for questions. Are there any questions from anyone?

How many people do you anticipate this to be? You might have said it. I didn't catch it.

Ms. Elizabeth Douglas: Currently, we've received 4,540 applications. We have approved 2,353 of those applications.

In terms of the number of supplementary reservists, we really don't know how many are going to come in. This is a new program area for us, but the number of supplementary reservists was calculated in our forecasts because they have given a release date.

The Chair: With reservists, though, is there any difficulty for them in coming up with the hours needed to qualify? I think you need to get a number of hours or days to qualify.

Ms. Elizabeth Douglas: All of the qualifications in terms of the days are based on the CAF's superannuation numbers. It is CAF that actually calculates this. We are hoping that is not an issue, but we do direct anyone who is applying to go back to CAF to get those days.

The Chair: Okay. They actually could go back to CAF. That's clear.

Does anyone else have any questions on division 21?

Thanks very much, Ms. Douglas.

It was nice of you to bring the sunshine to Ottawa from Prince Edward Island.

Ms. Elizabeth Douglas: Thank you.

The Chair: Division 22 is on student loans.

Mr. Rahman.

Mr. Atiq Rahman (Director General, Canada Student Loans Program, Learning Branch, Department of Employment and Social Development): Thank you, Mr. Chair, for giving me the opportunity to come here today.

This division proposes amendments to the Canada Student Loans Act and Canada Student Financial Assistance Act to make Canada student loans interest-free during the six-month period between students leaving studies and when they go into repayment. The amendment will make those six months interest-free. This will help the students transition into the labour force more smoothly and help them manage their student debt. It will also bring Canada student loans in line with some of the provincial student loans programs in Canada, which also have six-month, interest-free grace periods.

• (1930)

The Chair: Okay, that's student loans.

We'll go with Ms. Rudd and then Mr. Dusseault.

Ms. Kim Rudd (Northumberland—Peterborough South, Lib.): Thank you.

For the alignment of the policy for the industry grace period for that six months, it is British Columbia, Alberta, Manitoba, Nova Scotia, Newfoundland and Labrador, and Prince Edward Island, but not Ontario. Just to be clear, I'm assuming that in Ontario students are paying interest during the initial six months.

Mr. Atiq Rahman: It used to be interest-free, but the Government of Ontario has announced that they will reintroduce grace period interest.

Ms. Kim Rudd: It was interest-free and they have announced that it is now going to accumulate interest during that six-month period.

Mr. Atiq Rahman: That is correct.

Ms. Kim Rudd: Thank you very much.

The Chair: Mr. Dusseault.

[Translation]

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

Exactly to whom do students pay the interest on their debt?

[English]

Mr. Atiq Rahman: Canada student loans are delivered by a third party service provider, but the Government of Canada funds Canada student loans, so the interest is paid to the Government of Canada through the receiver general.

[Translation]

Mr. Pierre-Luc Dusseault: So, under this program, students who have debt pay interest to the Government of Canada. Can you say who's funding the Government of Canada?

[English]

Mr. Atiq Rahman: The overall interest payment does go to the Government of Canada. For example, for the 2017 school year, the overall interest revenue for the government was slightly over \$700 million. The cost of the program, for providing all kinds of other supports was—with the net of the interest payments—slightly over \$2 billion. Yes, the interest does come in as revenue, but at the same time there are other benefits, such as Canada student grants and repayment assistance plans for those who are having difficulty repaying their student loans. With all of those together, the government spends, in net, \$2 billion a year.

[Translation]

Mr. Pierre-Luc Dusseault: I assume that \$2 billion doesn't just reflect operating costs or all the costs of the Canadian government's grants and loans program.

Exactly what are the operating costs?

[English]

Mr. Atiq Rahman: Delivering the program does have some operational costs, such as administrative costs. They're mostly the cost of Canada's student grants, the repayment assistance plan and loan forgiveness for students in certain disciplines. Those are the major costs of the program. There are some administrative costs, too, but I don't have the numbers with me. Those are not substantive in the amount of \$2 billion that I referred to.

[Translation]

Mr. Pierre-Luc Dusseault: Don't you think it would be preferable to abolish interest on student loans instead of delaying payment for only the first six months? As a result, students would stop paying \$700 million a year directly into the government's treasury.

[English]

Mr. Atiq Rahman: The measure that has been announced is coupled with another measure that reduces the interest from prime plus 2.5% to prime for students who will be in repayment. It is completely interest-free during their studies. Interest will accumulate once they go into repayment.

As you know, for the two measures combined, the government will be investing about \$1.7 billion over five years. Making it interest-free will definitely be quite an expensive undertaking. What has been done in recent years is the injection of targeted funding. Student grants have been increased and eligibility has been increased as well. That's where the funding has gone. As I said, providing interest-free loans will come at a substantially higher cost as well.

[Translation]

Mr. Pierre-Luc Dusseault: I have a final question. What percentage of student loans does interest represent?

• (1935)

[English]

Mr. Atiq Rahman: Of the overall payment that students are making, what percentage is in interest...?

[Translation]

Can you repeat the question?

Mr. Pierre-Luc Dusseault: In fact, I'm talking about the interest rate. I don't know whether it's the same for all types of loans?

What's the average interest rate on student loans?

[English]

Mr. Atiq Rahman: There are two kinds of interest rates for Canada student loans. Stepping back for a second, there are federal student loans, which are Canada student loans, and students also receive provincial student loans. Provinces determine the interest rates for the provincial portion. For Canada student loans, there are two interest rates. About 99% of our students use the variable rate, which is prime plus 2.5% now.

The budget just announced a reduction of the interest rate from prime plus 2.5% to prime, so that would be a reduction of 2.5%. Prime right now is 3.95%. The current rate is 6.45%. That will be reduced to 3.95% if the prime rate remains the same.

[Translation]

Mr. Pierre-Luc Dusseault: Who's responsible for deciding interest rates?

[English]

Mr. Atiq Rahman: The rate itself is part of the terms and conditions that the students signed when they received a student loan. To make any changes to those terms and conditions, meaning to make any changes to the rate, the minister of ESDC would have to go to cabinet with the concurrence from the Minister of Finance.

[Translation]

Mr. Pierre-Luc Dusseault: Thank you.

[English]

The Chair: That's it. We are all done on division 22.

Thank you very much, Mr. Rahman.

We are going to division 23 on the Canada National Parks Act.

We have Mr. McNamee, director, protected areas establishment, and Mr. Nadler, acting chief executive officer.

Divisions 23, 24 and 26 are all at the table, I gather.

We'll start with Mr. Nadler.

Mr. Michael Nadler (Acting Chief Executive Officer, Parks Canada Agency): Thank you, Mr. Chair.

My name is Michael Nadler. On an interim basis, I'm the chief executive officer of Parks Canada. I'm joined by Kevin McNamee, who is the director of protected areas establishment at Parks Canada.

Thank you kindly for the opportunity to speak with you this evening. We know that this is additional to very busy workloads, and we're grateful for the attention paid to our elements of the budget implementation act this evening.

There are three elements of the act that pertain to Parks Canada. With your patience, Kevin and I can speak to all three in fairly rapid succession and take your questions at the end of each section. Two of these involve amendments to the Canada National Parks Act, and one involves an amendment to the Parks Canada Agency Act.

The first change to the Canada National Parks Act will facilitate the establishment of a new national park reserve in the Northwest Territories called Thaidene Néné. It's located on the east arm of Great Slave Lake. If you imagine Yellowknife and describe a line roughly straight east, you'll bump into a community called Lutsel K'e. This area is near that community and on the lake. It's one of the most amazing places in the country, and we encourage you to visit.

The amendment relating to that national park reserve will describe the boundaries for the national park reserve. Plus, it will provide for the conduct of some activities in the park that support traditional indigenous and northern lifestyles.

The second change to the Canada National Parks Act will adjust the boundaries of two ski areas in Banff National Park. These are the Mount Norquay and Lake Louise ski areas. These boundary changes reflect guidelines for development and use that were negotiated with each operator and were also subject to public consultation, input and environmental impact assessment. Incorporating the boundary changes into schedule 5 of the act will provide the two ski resorts with the business certainty that they need to conduct their operations and make ongoing investments in each of the resorts.

The last item is a change to the Parks Canada Agency Act that will shift Parks Canada from a two-year appropriation cycle to a one-year appropriation cycle. This was actually proposed in budget 2014 but was not legislated. It has come back for budget 2019 and forms part of the budget implementation act for 2019.

Mr. Chair, with your permission, I will turn to Kevin McNamee, who can speak to the first item, which is the Thaidene Néné national park reserve.

• (1940)

The Chair: Go ahead.

Mr. Kevin McNamee (Director, Protected Areas Establishment Branch, Parks Canada Agency): Thank you, Mr. Chairman.

The purpose of clauses 328 to 331, plus clause 333, is to amend the Canada National Parks Act to establish the Thaidene Nënë national park reserve of Canada. The goal is to legally protect a 14,000 square kilometre area of the boreal forest and the traditional territory of the Lutsel K'e Dene First Nation and several other indigenous peoples as Canada's 47th national park.

The government signalled its commitment to establish Thaidene Nënë national park reserve in budget 2016, which provided the long-term funding to establish, develop and operate this park. During 2016-17, 90% of participants in our national and regional consultations expressed support for establishing this national park reserve. The proposed amendments respond to some of the issues raised at that time.

Parks Canada is concluding the necessary establishment agreements with the Government of Northwest Territories, the Lutsel K'e Dene and the Northwest Territory Métis Nation, as well as consultations with several other indigenous governments. The land transfer agreement with the Government of Northwest Territories is key, as it sets out the terms and conditions under which the territorial government will transfer the lands and waters for this reserve to Canada.

Turning to the specific proposed amendments, clause 331, which is pages and pages of metes and bounds, is simply a description of the boundary that goes into schedule 2 of the act. The boundary includes an excellent representation of this natural region, will maintain ecological integrity and provide iconic visitor experience, and includes areas of importance to indigenous communities. I must also stress that the boundary excludes all identified areas of high and very high mineral potential.

Clauses 328 to 330 ensure that non-indigenous land uses and activities that are typically not permitted in national parks will continue in Thaidene Nënë. These activities include berry picking and the gathering of medicinal and healing plants for personal use, the cutting and gathering of wood for campfires and temporary shelters, and subsistence harvesting.

It's also important to inform the committee that the amendments ensure the continuation of certain third party interests, such as a tourist lodge and a recreational property. They provide Parks Canada with the authority to permit activities such as aircraft access, which is a major means of accessing this region, and fuel caches will also be permitted, which is important to users of this region. These provisions are consistent with the land transfer agreement negotiated between Parks Canada and the territorial government.

Finally, these amendments will only come into force after the land transfer agreement with the GNWT is signed, which we are hoping to accomplish this June. We are also working to sign at the same time agreements with indigenous organizations.

Thank you, Mr. Chair.

The Chair: All right. That is all on division 23, so we'll go to questions on that first.

Are there any questions on division 23 on the new national park reserve?

Mr. Dusseault.

[Translation]

Mr. Pierre-Luc Dusseault: It's not clear to me what activities will be permitted. I don't really understand what can be done on these lands. I think we want to acknowledge indigenous rights, and I suppose that concerns these lands as well.

In what way will this park be different from others with respect to the activities that can be carried out there in a manner consistent with the rights of the aboriginal peoples, who definitely have a lot of rights over those lands?

• (1945)

[English]

Mr. Kevin McNamee: You're quite correct in that there is no reason to specify in this legislation that traditional activities undertaken by indigenous people within the region will continue as a right. That is provided for under section 35 of the Constitution Act, so there was no reason to provide that.

Negotiators have initialled an establishment agreement with the Lutsel K'e Dene First Nation and an impact and benefit agreement with the NWT Métis Nation that specifies how we will collaborate.

In the case of non-indigenous activities, the way our act is structured is that, in order for some activities that we typically don't allow to continue in a park to continue in Thaidene Nënë, we needed to amend the act to allow for those specific activities. Aircraft access, as I mentioned, is one activity, and continuing a number of leases and leaseholders is provided for.

We also have amendments related to continuing the use of snowmobiles. That's not a typical activity in a national park, but recognizing the proximity to Yellowknife, the importance of the land to the non-indigenous people who use it and the results of consultations and the negotiations with the Government of Northwest Territories, some of these activities that are not typically provided for in national parks across Canada are provided for in Thaidene Nënë.

[Translation]

Mr. Pierre-Luc Dusseault: Is this park located solely in the Northwest Territories, or does it extend into another province or territory as well.

Mr. Kevin McNamee: The park is located solely in the Northwest Territories.

Mr. Pierre-Luc Dusseault: Thank you.

[English]

The Chair: Mr. Viersen.

Mr. Arnold Viersen: Hello, Mr. Nadler. It's good to see you again.

I'm just wondering where the idea for this park came from. What was the impetus for there to be a development of a new park? Was it the federal government recognizing a nice spot to put a park? Was it asked for by the Government of Northwest Territories, or was it a group of people from the Northwest Territories? Where did that come from?

Mr. Kevin McNamee: This park proposal has a 50-year history. It goes back to 1969 when the proposal was put to the chief of the community of Lutsel K'e, then called Snowdrift, but he was told at the time that he could not continue indigenous activities within the park. They couldn't hunt, couldn't trap and couldn't fish. The chief took it back to his people, and they said they weren't interested.

Nevertheless, there was a decision to protect about 7,000 square kilometres from a future allocation. There were a number of attempts over the decades to try to get it going. Finally in 2006, the Minister of the Environment at that time signed a memorandum of understanding with the community of Lutsel K'e. You'll hear this story tomorrow because you'll have the chief of Lutsel K'e Dene First Nation appearing. The elders there, the community, decided that they wanted to pursue a national park reserve because they were concerned about the amount of mineral staking going on in the area.

They wanted to enter into a collaborative relationship, so we moved forward with that. Following the devolution of the lands and waters of the Northwest Territories to the Government of Northwest Territories in about 2014, the territorial government eventually invited us to work with them to negotiate a boundary and a national park reserve.

What you've seen is the collaboration of Canada, the GNWT post-devolution, which is significant, and the Lutsel K'e Dene First Nation as the prime community pushing it with the support of the NWT Métis nation and others.

• (1950)

Mr. Arnold Viersen: Thank you.

The Chair: Mr. McLeod, and then we'll go back to Mr. Dusseault.

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

Thank you for the presentation. This park is in my riding, and I'm very happy to see it reach this stage. It's been in the works for a long time. I know the chief who initially discussed it, Felix Lockhart, very well. He put a lot of effort into this.

I think we really have to look at how things have evolved over the last while in order to make this park happen. First of all, it's always very difficult to get four different governments to agree—the federal government, the Government of Northwest Territories, the Dene First Nation and the Métis. I think it shows the importance of this piece of land. It's located at the eastern part of Great Slave Lake, a beautiful part of the lake. There's forest, there's tundra—everything is there. It's very hard to access, of course.

This area is called “land of the ancestors” by the people from Lutsel K'e. It's a very important part of their country, and they want to see it happen. This is one of the first places where there's really been strong indigenous involvement. We're still trying to sort out the issues around how Wood Buffalo park was established and what it did to the indigenous people of that area when they couldn't trap, couldn't hunt and couldn't do anything in the park. That was their livelihood. I really understand the chief in 1960 saying that they couldn't have an area closed off to them, as their primary way of surviving was through hunting and fishing and trapping.

I do have a quick question on the process of the park. We'll have witnesses appear before us tomorrow, but I want to talk about the process of going from a reserve to an actual national park. Can you describe that a little bit more clearly for me? I'm not sure I followed it.

Mr. Kevin McNamee: Going back to one of your earlier comments, it is quite significant that we're close to a deal with the Government of Northwest Territories post-devolution. It really is significant. I recognize that the committee primarily deals with financial matters, but I will say that in the case of the national park reserve, this allows the government to set up a national park in places where there are land claims that have not yet been concluded. These are places where the Government of Canada has accepted for negotiation a land claim.

In essence, this allows us to legally set it up as a national park reserve pending the conclusion of a land claim agreement, which may alter the boundary and provide other provisions. The act, though, is clear in that a national park reserve is managed as a national park. It's not a lesser form of national park. It simply signals that there is an active land claim process here that's yet to be finalized. In order for this to eventually become a national park, the government needs to conclude agreements with all outstanding claims.

The other thing, to go back to an earlier question, is that there's a provision in here that makes it clear that in going from a national park reserve to a national park, the non-indigenous activities will continue. It makes it clear that the leases and licences that are currently in place will continue. We've covered that off. That's essentially the difference in terms of the transition.

The Chair: Mr. Dusseault.

[Translation]

Mr. Pierre-Luc Dusseault: I have nothing to add.

[English]

The Chair: You're done? Okay.

We'll now turn to division 24.

Mr. Michael Nadler: This division relates to ski area boundaries for Mount Norquay and Ski Lake Louise.

As many of you know, skiing has been part of Parks Canada's experiences in the mountain parks for literally decades, beginning as early as the 1930s.

All of Canada's national parks are managed within a well-defined system of legislation, regulations, policies and plans. Over the past decade Parks Canada has been working with ski area operators as well as a number of stakeholders and intervenors on the regime for managing ski areas now and into the future in Banff National Park.

The management of ski areas falls under the Canada National Parks Act, the 10-year Banff National Park management plan, the Jasper National Park management plan for Marmot Basin, and Parks Canada umbrella guidelines for ski area management, dated 2006.

Resort specific guidelines that are negotiated with each operator are subject to impact assessment, and are also subject to public consultation. The long-range plans that are developed by the operators themselves also go through impact assessment and public consultation.

Ski resort specific guidelines set the boundaries for the ski area and also set the direction for ski area development for the coming decades. They set this in ways that respect the national park setting and ecology, while enabling the operator to take advantage of business opportunities and deliver outstanding experiences for Parks Canada's visitors.

The new ski area boundaries for Lake Louise and Mount Norquay reflect the consensus that was found in the site guidelines for each resort, as well as all of the public input that fed into the process.

Incorporating these boundaries into the Canada National Parks Act will provide operational certainty for the ski resorts, allowing them to implement their own business plans for each resort.

I can take questions now on the few changes.

• (1955)

The Chair: Mr. Dusseault.

[*Translation*]

Mr. Pierre-Luc Dusseault: Do you have any comments on the addition of these measures to a budget bill? Do you think it's necessary to include them in a bill of this kind?

Mr. Michael Nadler: In fact, there's a certain amount of pressure associated with the operations themselves. For example, if it were impossible to determine the boundaries in the Canada National Parks Act, these people wouldn't be able to carry on their activities next year.

[*English*]

The Chair: Are you not going to ask what the ski rates are and how they compare to Mont-Tremblant?

Are there any other questions? It sounds pretty straightforward.

Thank you, gentlemen.

We'll turn to the last note.

Mr. Michael Nadler: I can speak to the one-year appropriation very quickly if you like, Mr. Chair.

The Chair: Yes, sorry, I missed that one.

Mr. Michael Nadler: Under the Parks Canada Agency Act of 1998, our agency operates on a two-year cycle of appropriations. The government is working to bring more departments and agencies into a one-year appropriation model. For Parks Canada, this was actually announced as part of budget 2014, but was never legislated. It was, again, announced in budget 2019 and now forms part of this piece of legislation.

Parks Canada is presently working with the Department of Finance on the transition to a single-year appropriation model. Part of the rationale, and something that is invisible to many Canadians is that Parks Canada is one of the government's largest asset holders and as the government moves large departments like PSPC and National Defence into an accrual-based model for managing assets,

we too will move in that direction. This helps to facilitate that transition.

The Chair: What is the model right now?

Mr. Michael Nadler: It's a two-year cycle, so we would shift to a one-year cycle like most federal departments.

The Chair: It doesn't really apply to this, but I'm going to ask you anyway.

I want to give you an example on Prince Edward Island. We have the Prince Edward Island National Park. The land is leased out to two farmers, which is a good thing. One of the farmers died this year, so that land has to be released.

Parks Canada tells me the tender process is so long it can't get it done for spring cropping, so we're going to have weeds growing this summer on that farm. That's going to be lovely for tourists to see. What tender process do you have to follow at Parks Canada if you're going to tender something out that's on Parks Canada land?

• (2000)

Mr. Michael Nadler: There is no successor to the person who passed away in this instance.

The Chair: No.

Mr. Michael Nadler: Can I look into it? I'm—

The Chair: You can look into it and get back to me.

To me, it's a simple matter: Lease it out for one year to someone rather than letting it sit idle and grow weeds.

Mr. Michael Nadler: Do you know the location?

The Chair: Yes. It's Stevenson Farms.

Mr. Michael Nadler: Okay, we can come back to you on that.

The Chair: You don't need to get back to the committee. You can get back to me.

Voices: Oh, oh!

The Chair: If the committee is interested, you can get back to the committee.

Mr. Michael Nadler: Sure. We can do both.

The Chair: If there are no more questions for Parks Canada, thank you very much, Mr. McNamee and Mr. Nadler.

Now we're turning to division 26, on prompt payment for construction work.

We have Mr. Kilpatrick, director general; Mr. Gardner, senior director; and Mr. Meszaros, senior counsel.

Mr. Crawford Kilpatrick (Director General, Strategic Sourcing Sector, Department of Public Works and Government Services): Thanks very much, Mr. Chair and committee members, for hearing us this evening.

I'm the director general lead on this particular initiative, working with Public Services and Procurement Canada. Chris Meszaros is part of our legal team and has been integral in the development of the initiative. Shawn has been very, very active in the development of the legislation as an instructing officer. It's a new measure called the federal prompt payment for construction work act.

How did we get here today? I'll give you a little bit of context.

At the 50th annual general meeting that we had with the Canadian Construction Association and the federal government, the issue of timeliness of payment came up as a topic of conversation. This was in April 2016. At that meeting, the Canadian Construction Association indicated that in 2015 alone, there were \$285 billion of construction contracts nationally. There was almost \$46 billion in delayed payments, so that's over 16% of the total construction value nationally.

Payments made to contractors were evidently not flowing effectively through the payment chain to subcontractors, sub-subcontractors, etc. At that meeting, the federal government was asked to take a leadership role and engage in dialogue with the Canadian Construction Association and others, to identify, assess and implement possible measures to address timeliness of payments.

In early 2018, Public Services and Procurement Canada commissioned independent experts to lead an engagement process seeking input from the national construction industry to identify the elements required to develop a robust, prompt payment regime. The independent experts led the national engagement process. They invited stakeholders from across Canada to participate. There were over 55 engagement sessions, and they met with over 500 people. A recommendations report was submitted to government in June 2018.

In August 2018, the independent experts hosted a stakeholder meeting in Toronto to discuss the recommendations report and the reasoning behind those recommendations with industry stakeholders.

The new legislation was developed. It was informed by the recommendations report. It will help to ensure that payments flow down the construction payment chain promptly and contribute to the government's objective of achieving best value on its construction projects. This applies to federal contracts, federal projects on federal lands.

Typically, legislation dealing with contractual relations would fall within provincial jurisdiction in relation to property and civil rights. However, the federal legislation will apply exclusively to federal projects on federal lands.

We've been working very closely with the construction industry over the past number of years. This has culminated, to this point, in the development of legislation. The construction industry directly employs over 1.5 million Canadians. It represents 7.5% of Canada's total workforce and is approximately 7.2% of the gross domestic product for Canada.

We have engaged with the Canadian Construction Association, the National Trade Contractors Coalition of Canada and the General Contractors Alliance of Canada, amongst others. Our efforts have been supported to date.

Ontario's Bill 142, which was a provincial bill including similar prompt payment terms and adjudication measures, was unanimously supported and received royal assent in Ontario in December 2017. We are planning on conducting additional industry engagement sessions, which will occur during the development of regulations that will go along with this piece of legislation.

That's where we are now. I'd be more than happy to take questions.

• (2005)

The Chair: Okay, \$46 billion in delayed payments seems fairly substantial.

Mr. Sorbara.

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

I have a few comments. I do need to applaud one of my colleagues who worked on this for a very long time, the honourable Judy Sgro. She has been a big advocate for prompt payment legislation at the federal level for a very long time. I do wish to thank the minister, the honourable Carla Qualtrough, and parliamentary secretary MacKinnon.

I attended a number of the meetings, and it is something that impacts many of my stakeholders in the area I represent, a lot of GCs and subcontractors in the area. I'm glad to see this legislation in the BIA.

I have a quick question. What percentage of construction contracts are awarded at the provincial level in the total bucket in Canada?

Mr. Shawn Gardner (Senior Director, Real Property Service Management Contract Division, Department of Public Works and Government Services):

I guess, ultimately, what we have been told by the Canadian Construction Association is that the federal government deals with about 1% of the commercial construction market. That would suggest that the 99% is others.

Mr. Francesco Sorbara: Yes, and the majority of the others are the province and the municipal and regional level. I would argue that the federal leadership role on the file is very important. This is somewhat following the provinces, but also demonstrating leadership for provinces that haven't signed on yet.

Mr. Crawford Kilpatrick: If I could add to that, I do agree that... Ontario is the only jurisdiction in Canada at this point in time that has legislation related to prompt payment. Nova Scotia is actually moving forward and is introducing legislation as well, which is at a very high level.

The national construction entities that we have been engaged with have really been looking to us to demonstrate federal leadership to develop prompt payment timelines and look at a dispute resolution process through adjudication, which can be closely followed by provinces and territories when they determine that they are prepared to move forward with similar types of legislation.

During the national engagement process, it was made very clear. There was a theme that came out saying that the construction industry would like to see alignment between different jurisdictions. What we have done is we have worked with the construction industry and looked at what was done so far in Ontario through legislation. Also we've looked at the recent pilot projects in Quebec and incorporated certain aspects of those into our legislation, so that we are hoping to get as much alignment as possible to make it easier for the industry to understand prompt payment rules, terms and the dispute resolution process.

Mr. Francesco Sorbara: Thank you.

The Chair: Mr. Dusseault.

[*Translation*]

Mr. Pierre-Luc Dusseault: I'm trying to see the balance that I hope was achieved. On the one hand, there's the matter of prompt payment for the work and, on the other hand, adequate performance of the work in compliance with the conditions established when the contract was awarded.

Which mechanisms were used to ensure that the projects were completed on time and done properly? I can cite examples of major projects, such as the Champlain Bridge, which aren't always completed on time and must meet a cost condition in particular. We know these projects can prove to be bigger than initially planned.

What balance has been struck, having regard to the respect that taxpayers are owed? They're the ones who have to pay for the work, and they hope to see the expected result on a timely basis.

• (2010)

[*English*]

Mr. Christopher Meszaros (Senior Counsel, Department of Justice): The protections are not really found in the act per se. This is mostly prompt payment legislation. The protections you are looking for and seeking for the members of the public are mostly found in contract. Therefore, we need to have very robust contractual clauses that we implement in the situation of the new bridge on the St. Lawrence to ensure that the completion is done promptly and that it's good value for citizens.

Mr. Crawford Kilpatrick: What happens currently in the industry is that organizations will increase their rates knowing that they are not going to get paid promptly by the contractor above them or the contractor above the contractor, so there is a financing cost. The legislation very clearly outlines, when work is done for the federal government, that the government has 28 days to make a payment to a prime contractor. That prime contractor then has seven days or a cumulative total of 35 days from when that invoice was provided to the federal government. It's very clear that payments will be made within a certain timeline. That will hopefully ensure that companies down the payment chain will not have to add additional financing costs into their bids for the government, so the costs should go down for the delivery of our federal projects.

The Chair: There are no further questions.

Thank you very much for your presentation. That concludes the time with officials.

We have a small piece of business. There's a sheet handed out. We do need a budget for the subject matter of Bill C-97. The amount requested is \$53,900. Does somebody want to move that?

Mr. Francesco Sorbara: I so move.

(Motion agreed to)

The Chair: We will see everyone tomorrow at 11:00 a.m. for witnesses.

Thank you very much.

The meeting is adjourned.

Published under the authority of the Speaker of
the House of Commons

SPEAKER'S PERMISSION

The proceedings of the House of Commons and its Committees are hereby made available to provide greater public access. The parliamentary privilege of the House of Commons to control the publication and broadcast of the proceedings of the House of Commons and its Committees is nonetheless reserved. All copyrights therein are also reserved.

Reproduction of the proceedings of the House of Commons and its Committees, in whole or in part and in any medium, is hereby permitted provided that the reproduction is accurate and is not presented as official. This permission does not extend to reproduction, distribution or use for commercial purpose of financial gain. Reproduction or use outside this permission or without authorization may be treated as copyright infringement in accordance with the *Copyright Act*. Authorization may be obtained on written application to the Office of the Speaker of the House of Commons.

Reproduction in accordance with this permission does not constitute publication under the authority of the House of Commons. The absolute privilege that applies to the proceedings of the House of Commons does not extend to these permitted reproductions. Where a reproduction includes briefs to a Committee of the House of Commons, authorization for reproduction may be required from the authors in accordance with the *Copyright Act*.

Nothing in this permission abrogates or derogates from the privileges, powers, immunities and rights of the House of Commons and its Committees. For greater certainty, this permission does not affect the prohibition against impeaching or questioning the proceedings of the House of Commons in courts or otherwise. The House of Commons retains the right and privilege to find users in contempt of Parliament if a reproduction or use is not in accordance with this permission.

Also available on the House of Commons website at the following address: <http://www.ourcommons.ca>

Publié en conformité de l'autorité
du Président de la Chambre des communes

PERMISSION DU PRÉSIDENT

Les délibérations de la Chambre des communes et de ses comités sont mises à la disposition du public pour mieux le renseigner. La Chambre conserve néanmoins son privilège parlementaire de contrôler la publication et la diffusion des délibérations et elle possède tous les droits d'auteur sur celles-ci.

Il est permis de reproduire les délibérations de la Chambre et de ses comités, en tout ou en partie, sur n'importe quel support, pourvu que la reproduction soit exacte et qu'elle ne soit pas présentée comme version officielle. Il n'est toutefois pas permis de reproduire, de distribuer ou d'utiliser les délibérations à des fins commerciales visant la réalisation d'un profit financier. Toute reproduction ou utilisation non permise ou non formellement autorisée peut être considérée comme une violation du droit d'auteur aux termes de la *Loi sur le droit d'auteur*. Une autorisation formelle peut être obtenue sur présentation d'une demande écrite au Bureau du Président de la Chambre.

La reproduction conforme à la présente permission ne constitue pas une publication sous l'autorité de la Chambre. Le privilège absolu qui s'applique aux délibérations de la Chambre ne s'étend pas aux reproductions permises. Lorsqu'une reproduction comprend des mémoires présentés à un comité de la Chambre, il peut être nécessaire d'obtenir de leurs auteurs l'autorisation de les reproduire, conformément à la *Loi sur le droit d'auteur*.

La présente permission ne porte pas atteinte aux privilèges, pouvoirs, immunités et droits de la Chambre et de ses comités. Il est entendu que cette permission ne touche pas l'interdiction de contester ou de mettre en cause les délibérations de la Chambre devant les tribunaux ou autrement. La Chambre conserve le droit et le privilège de déclarer l'utilisateur coupable d'outrage au Parlement lorsque la reproduction ou l'utilisation n'est pas conforme à la présente permission.

Aussi disponible sur le site Web de la Chambre des communes à l'adresse suivante : <http://www.noscommunes.ca>