



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

44th PARLIAMENT, 1st SESSION

Standing Committee on Finance

EVIDENCE

NUMBER 002

Tuesday, December 7, 2021

Chair: Mr. Peter Fonseca



Standing Committee on Finance

Tuesday, December 7, 2021

• (1110)

[English]

The Chair (Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.)): Pursuant to the House of Commons order of reference adopted on December 2, 2021, the committee is meeting on Bill C-2, an act to provide further support in response to COVID-19.

Today's meeting is taking place in a hybrid format, pursuant to the House order of November 25, 2021. Members are attending in person in the room and remotely using the Zoom application. The proceedings will be made available via the House of Commons website, and the webcast will always show the person speaking rather than the entirety of the committee.

Today's meeting is also taking place in the webinar format. Webinars are for public committee meetings and are available only to members, their staff and witnesses. Members enter immediately as active participants. All functionalities for active participants remain the same. Staff will be non-active participants and can therefore only view the meeting in gallery view.

I'd like to take this opportunity to remind all participants of this meeting that taking screenshots or photos of your screen is not permitted.

Given the ongoing pandemic situation and in light of the recommendations from health authorities, as well as the directive of the Board of Internal Economy on October 19, 2021, to remain healthy and safe, all those attending the meeting in person are to maintain two-metre physical distancing. Everyone must wear a non-medical mask when circulating in the room, and it is highly recommended that the mask be worn at all times, including when you are seated. You must maintain proper hand hygiene by using the provided hand sanitizer at the room entrance. As the chair, I will be enforcing these measures for the duration of the meeting, and I thank members in advance for their co-operation.

To ensure an orderly meeting, I'd like to outline a few rules to follow. I know this is our second meeting. I'll go over these rules. I think at subsequent meetings we won't have to do this because everybody will know what the rules are.

First, members and witnesses may speak in the official language of their choice. Interpretation services are available for this meeting. You have the choice at the bottom of your screen of floor, English or French. If interpretation is lost, please inform me immediately, and we will ensure interpretation is properly restored before resuming the proceedings. The "raise hand" feature at the bottom of

the screen can be used at any time if you wish to speak or alert the chair.

Members participating in person should proceed as they usually would when the whole committee is meeting in person in the committee room. Keep in mind the Board of Internal Economy's guidelines for mask use and health protocols.

Before speaking, please wait until I recognize you by name. If you are on the video conference, please click on the microphone icon to unmute yourself. For those in the room, your microphone will be controlled as normal by the proceedings and verification officer. When speaking, please speak slowly and clearly. When you're not speaking, your mike should be on mute, and this will also help the interpreters a great deal.

I remind everyone that all comments by members and witnesses should be addressed through the chair.

With regard to a speaking list, the committee clerk and I will do the best that we can to maintain a consolidated order of speaking for all members whether they are participating virtually or in person.

I would now like to welcome our witnesses.

From the Department of Finance, we have with us Trevor McGowan, director general, tax legislation division; Lindsay Gwyer, director general, legislation, tax legislation division; Maximilian Baylor, senior director, saving and investment section, business income tax division; and Yves Poirier, director, economic development, business income tax division.

From ESDC we have Elisha Ram, associate assistant deputy minister, skills and employment branch, Employment and Social Development Canada; Catherine Demers, director general, employment insurance policy, skills and employment branch, Employment and Social Development Canada; Benoit Cadieux, director, special benefits, employment insurance policy, skills and employment branch, Employment and Social Development Canada; and George Rae, director, policy analysis and initiative, employment insurance policy, skills and employment branch, Employment and Social Development Canada.

Doug Wolfe is in, but his sound is bad, so we may have some challenges there.

Also with us is Sebastien St-Arnaud, manager, labour program - policy dispute resolution and international affairs directorate.

For opening statements from the Department of Finance and ES-DC, we will hear from Maximilian Baylor and Catherine Demers for five minutes each.

The floor is yours, Mr. Baylor.

Mr. Maximilian Baylor (Senior Director, Saving and Investment Section, Business Income Tax Division, Tax Policy Branch, Department of Finance): Thank you, Mr. Chair.

[*Translation*]

I will speak in English, knowing that interpretation services are being provided.

[*English*]

My name is Max Baylor. I represent the business income tax division at the Department of Finance. I'll provide a brief overview of part 1 of the bill.

Part 1 proposes amendments to the Income Tax Act and related amendments to the income tax regulations. The proposals reflect the government's October 21 announcement of its intention to move away from the broad-based COVID-19 business support programs to a more targeted approach. Three new targeted wage and rent subsidy programs are being proposed to replace the previous broad-based programs.

The first program, the tourism and hospitality recovery program, would provide select tourism and hospitality organizations, such as hotels, tour operators, travel agencies and restaurants, with a subsidy of up to 75%. Eligible organizations would be required to meet two conditions to qualify for the program. The first condition would be an average monthly revenue reduction of at least 40% over the first 13 qualifying periods, or the first 12 months, of the Canada emergency wage subsidy. The second condition would be a current-month revenue loss of at least 40%.

In terms of the subsidy rate, it's proportional to the current-month revenue loss. A 40% current-month revenue loss provides a 40% subsidy rate. It increases one for one, but up to a maximum of 75%. Therefore, a current-month revenue loss of 75% or above provides a 75% subsidy rate.

It should be noted that at the time of the October 21 announcement, the government had indicated that the definition of qualifying businesses for the tourism and hospitality recovery program would be forthcoming and would be released at a later date. The bill, this legislation, now includes the definition of the types of businesses eligible for the program.

The second program, the hardest-hit business recovery program, would provide other organizations that have faced deep losses with a subsidy rate of up to 50%. Eligible organizations would be required to meet two conditions to qualify for this program. The first condition is an average monthly revenue reduction of at least 50% over the first 13 qualifying periods, or the first 12 months, of the Canada emergency wage subsidy. The second condition is a current-month revenue loss of at least 50%.

In terms of the subsidy rate, again, it is proportional to the current-month revenue loss but not one for one. For a 50% current-month revenue loss, the subsidy rate is 10%. It increases, linearly, up to a current-month revenue loss of 75%, which corresponds to a 50% subsidy rate.

The third program, the local lockdown program, would provide the same level of support as under the tourism and hospitality recovery program to organizations that face new local lockdowns. In terms of eligibility, this program would be available to eligible organizations that are subject to a local health order and that are experiencing a current-month revenue loss of at least 40%. This is regardless of losses that occurred over the course of the pandemic.

These three programs would be available from October 24, 2021, until May 2022, with the proposed subsidy rates available until March 12, 2022. From March 13 to May 7, 2022, the subsidy rates would decrease by half. The government would also have the authority to extend these measures by regulation until July 2, 2022.

• (1115)

Also, as part of the proposal, the existing lockdown support would continue to be available under these three programs at the current fixed rate of 25%. It's also proposed to increase the aggregate monthly cap on eligible rent expenses from \$300,000 to \$1 million starting on October 24 of this year for all eligible employers and organizations receiving rent support under the new programs.

Finally, the proposed amendments would enhance and extend the Canada recovery hiring program for all eligible employers with current revenue losses above 10%. The subsidy rate would be increased to 50%, and the program would be extended until May 7, 2022, with the authority to extend by regulation until July 2, 2022.

That concludes the summary of part 1.

The Chair: Thank you, Mr. Baylor.

Now we'll hear from Ms. Demers from ES-DC for five minutes.

[*Translation*]

Ms. Catherine Demers (Director General, Employment Insurance Policy, Skills and Employment Branch, Department of Employment and Social Development): Thank you, Mr. Chair.

My name is Catherine Demers. I am director general of employment insurance policy at Employment and Social Development Canada. I am pleased to provide an overview of Part 2 and Part 3 of the bill. I will make my remarks in English and, obviously, I will be able to answer questions in both languages.

[English]

Part 2 of the bill proposes to establish a Canada worker lockdown benefit pack, which would introduce a new targeted benefit to provide income support for workers who have their employment interrupted due to a lockdown order imposed by a competent authority in their region for reasons related to COVID-19. The proposed legislation would provide—

- (1120)

[Translation]

Mr. Gabriel Ste-Marie (Joliette, BQ): I have a point of order, Mr. Chair.

I am sorry to interrupt you, Ms. Demers. The interpreter from English to French said that several mikes were on, perhaps on the Zoom application, and this made it hard to hear and interpret.

Thank you.

[English]

The Chair: Thank you, Mr. Ste-Marie.

Could everybody make sure their microphones are on mute? The sound does affect the ears of the interpreters very negatively. Could we all do that? Thank you.

You may continue, Ms. Demers.

Ms. Catherine Demers: Thank you.

Just to recap, the proposed legislation would provide \$300 a week in income support to eligible workers, available for the duration of the lockdown order up until May 7, 2022.

For the purpose of the benefits, the proposed legislation would define the lockdown order as a lockdown imposed by a competent authority that, for reasons related to COVID-19, would require the closure to the public of non-essential businesses and services for at least 14 consecutive days in a region, or would require that persons stay at home for reasons related to COVID-19 and that this obligation be enforced for 14 consecutive days in a region unless they have to go out for essential reasons.

Eligibility rules for the lockdown benefit are similar to those that were in place for the Canada recovery benefit, so that means having a valid SIN. Also, they need to be 15 years old or older and be a resident and present in Canada. They need to attest that they had at least \$5,000 in earnings in 2020 or in the preceding 12 months, if applying in 2021, or have earned this amount in 2020-21 or the preceding 12 months, if applying in 2022.

It also includes attesting that they have lost their employment or self-employment or have experienced a reduction of at least 50% of their average weekly income due to the lockdown order and that they have not quit their employment and would be returning to work when reasonable to do so. They would also attest that their loss of employment or income or a decision not to return to work is not due to refusal to comply with the vaccine mandate and that they filed an income tax return in respect to the applicable tax year. Also, they must not be isolating or in quarantine due to international travel. As well, it provides for the benefit to be available for both workers who are ineligible for EI and who are eligible, as long as

they are not paid EI for the same week in which they would be receiving this benefit. Similarly, to receive the benefit, workers would need to attest that they are not receiving the Canada recovery sickness benefit, the Canada recovery caregiving benefit or the the Quebec parental insurance plan benefit for the same week.

For triggering the benefit, the proposed legislation would enable the Governor in Council, on the recommendation of the Minister of ESDC, to designate by order a “lockdown region” that meets the definition in the legislation for eligibility purposes. It would also provide the authority for the Governor in Council to amend, by regulation, the definition of a “lockdown order”; to amend the number of consecutive days a lockdown needs to be in place for designating a region; to prescribe other sources of income for purposes of eligibility for the benefit; and to extend the availability of the benefit, if needed, until a date no later than July 2, 2022.

The benefit would be delivered by the Canada Revenue Agency, using the same platform as for the recovery benefit. The act would come into force upon royal assent and access to the benefit would be retroactive until October 24, 2021, which means that it can go back to the date when a lockdown order became effective if it was after October 24.

Very quickly, part 3 of the act proposes amendments to the Canada Recovery Benefits Act that would extend the Canada recovery caregiving benefit and the Canada recovery sickness benefit from November 20, 2021, to May 7, 2022, to ensure that workers who need to self-isolate due to COVID-19 or stay at home to care for a child or family member due to COVID can continue to access income support.

It would also add two extra weeks to each benefit, for a maximum of six weeks for the sickness benefit and 44 weeks for the caregiving benefit. The proposed legislation would provide authority for the Governor in Council to change the end date to access the benefit to July 2 if needed. As well, access would be retroactive to November 20, 2021, upon the coming into force of the legislative amendments, so there would be 60 days to make an application from the date of this coming into force.

Thank you, Mr. Chair. That's my overview.

- (1125)

The Chair: Thank you very much for your opening statement.

Before we move into questions from members and answers from witnesses in our first round, a friendly tool that I have used in the past to keep everybody on track is that, as we're getting close to the end of the time, I put up a 30-second card so that people know their time is coming to a close.

We will start now with our first round. It will be a six-minute round.

First up, from the Conservatives, we have Mr. Poilievre.

Hon. Pierre Poilievre (Carleton, CPC): Thank you.

Thank you to our officials for a good overview.

You talked about the benefits. My questions relate to the cost. How is the government paying the \$7-billion bill associated with this proposal?

The Chair: That question is directed to whom, Mr. Poilievre?

Hon. Pierre Poilievre: It's to anyone who wants to answer it. If they have anyone over there who is concerned about where the money comes from, that person could speak up.

The Chair: Maybe you could choose one of the witnesses.

Hon. Pierre Poilievre: I don't know who on their side is responsible for this. Clearly they're getting money from somewhere, so they must know where.

Is anyone here from Finance Canada?

Mr. Maximilian Baylor: Mr. Chair, I can provide a high-level response, but I'm afraid I won't be able to answer the honourable member's question directly, because we're here to discuss the bill.

What I can say is that, with regard to the cost of the measures, in terms of part 1, the three first programs that I mentioned—the tourism and hospitality recovery program, the hardest-hit businesses recovery program and the local lockdown program—have a cost of \$3.2 billion.

Hon. Pierre Poilievre: Where is the money coming from?

Mr. Maximilian Baylor: That is within the government's broad macroeconomic framework. I can't speak to that.

Hon. Pierre Poilievre: Then you don't have anyone here.... It's just that we're being asked to vote in favour of another \$7 billion of spending. The obvious question is "Where is it coming from?"

Mr. Maximilian Baylor: As I indicated, I can discuss the contents of the bill. I appreciate the question, but I can't answer that question.

Hon. Pierre Poilievre: Somebody's paying for it. Who is it? Is it the tooth fairy?

There's no answer.

The Chair: Mr. Poilievre, the witnesses are here, respectfully, to answer questions on Bill C-2, as we study it.

Hon. Pierre Poilievre: Right. Bill C-2 has a \$7-billion bill. That's the price tag. That's what I'm asking about. Where is the \$7 billion coming from? A lot of people are willing to talk about how they're spending the money, but no one wants to talk about where it comes from.

Mr. Chair, how many witnesses do we have here? Do we have the number?

The Chair: Is it 10...?

• (1130)

Hon. Pierre Poilievre: We have 10 witnesses to tell us about how to spend money but not a single one to tell us where the money comes from.

Anyone...?

Mr. Chair, can you help us?

The Chair: Mr. Poilievre, the floor is yours to ask your questions.

Hon. Pierre Poilievre: I've asked the same question five or six times. No one seems to be able to answer it. I'm just worried that the answer is not one my constituents are going to want to hear. Right now, I have 30-year-olds living in their parents' basements because housing inflation has priced them out of the market. I have single moms in my neighbourhoods who can't afford a healthy basket of groceries to feed their kids. I have seniors whose savings are being vaporized by inflation. Now we have the prospect that deficits are going to drive up interest rates.

You can forgive me if my focus today is not on all the wonderful things the government is spending money on but is instead on where the money comes from. So far, all the money seems to be coming out of the pockets of working-class folks who are paying record inflation.

Ms. Julie Dzerowicz (Davenport, Lib.): On a point of order, Mr. Chair, I believe we have officials here who are speaking specifically to Bill C-2. I believe the member from the opposite side of the bench is asking questions that are more appropriately directed at our Deputy Prime Minister and Minister of Finance.

He will have the opportunity to ask her that question when she comes before us this Thursday.

The Chair: Thank you, Ms. Dzerowicz.

The officials who are before us are here to speak to Bill C-2 and any of the technical matters within Bill C-2, any of the questions that should be posed to the ministry of finance or ESDC. There shouldn't be political questions posed to non-political witnesses.

Hon. Pierre Poilievre: Mr. Chair—

Ms. Julie Dzerowicz: I have one more point of order. I'm so sorry. I believe the phone line is down. Can someone from the technical side of our team look into that, please?

Thank you.

Hon. Pierre Poilievre: I have a strictly technical question: Where is the money coming from?

It's a \$7-billion cost. The money must be coming from somewhere. Is there a money tree? Is there a printing press? That's the technical question I'm asking. I appreciate that the Liberals across the way don't want it answered—

Ms. Julie Dzerowicz: On a point of order, Mr. Chair, as much as I love to hear the opposition member talk about this, we have wonderful officials here who are here to answer very specific questions around Bill C-2. Again, it seems that these questions are excellent questions. I think they could be directed to our Deputy Prime Minister and Minister of Finance, who is scheduled to come before us this Thursday.

The Chair: These excellent public servants are not here to answer political questions. I do agree with that.

Mr. Poilievre, I want to let you know that you have a minute left.

Hon. Pierre Poilievre: I haven't asked a political question. I've asked a strictly technical question: Where's the money coming from? I mean it literally. Where is it coming from?

It's \$7 billion. It must be coming from somewhere. If you believe money is a real thing and you're here to tell us how you're going to spend \$7 billion of it, clearly you'd be able to tell us where you're getting it. You're asking us here in Parliament to vote for this \$7 billion, and you don't want to tell us where you're getting it—

Mr. Yvan Baker (Etobicoke Centre, Lib.): I have a point of order, Mr. Chair.

Yesterday this committee passed a motion whereby we laid out a schedule for our work for the coming week, the purpose of which was to make sure the different questions that members had could get answered. I know that Mr. Poilievre wants an answer to this question. That question is best directed to the Minister of Finance.

We agreed on an itinerary. I think it's important that we ask the questions at a time when the witnesses who are present can actually answer them. These witnesses are here to help us with Bill C-2, and I think questions should be directed to them on those topics they can answer. Then, when the minister is here, Mr. Poilievre and others can ask the minister questions that are pertinent to the Minister of Finance.

The Chair: Thank you, Mr. Baker.

Again, Mr. Poilievre, there are 30 seconds left on your time.

Hon. Pierre Poilievre: I realize this is our first substantive meeting, but I'll tell the government members on this committee how it's going to work. You don't get to choose our questions. We choose our own questions.

My question is this: Where's the money coming from? You want us to approve another \$7 billion of inflationary spending, and I want to know where the money is coming from.

One final time, to anyone in the room—I'll even open it up to government members if they want to chime in—where is the \$7 billion coming from?

The Chair: Thank you, Mr. Poilievre.

We're now going to move to the Liberals for six minutes.

Ms. Dzerowicz, you have the floor.

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

I want to start off by thanking all of our officials for coming before us today.

I especially want to thank you for all your extraordinary work over the last almost two years. We know that finance officials have been working night and day, so thank you so much for your service to our nation.

Mr. Baylor, maybe I'll direct my first question to you.

As we've moved through COVID and the different phases of COVID, we've moved from broad-based supports to more targeted supports. We moved from spending overall around \$289 billion on direct income and business supports down to the current proposal, which is \$7.2 billion.

Perhaps, Mr. Baylor, you can explain to us why it is that you landed on the current set of supports. If I look at our supports, they're in three key categories. One is business supports that are very targeted towards tourism, other hard-hit industries and local lockdowns. We also have some supports for the Canadian worker in terms of lockdown supports, and then we have some adjustments to the recovery benefit. Could you address why it is that we landed on the current set of supports?

• (1135)

Mr. Maximilian Baylor: I can speak to part 1 of the bill. Perhaps my colleagues can speak to part 2 and part 3.

As you indicated, the mandate was to move from the broad-based support that was required at the height of the pandemic during lockdowns to more targeted support as we transition to the new phase of the pandemic. The focus was to target those industries that have suffered during the pandemic and are still suffering, in large part because of some of the continued health restrictions that we're seeing.

The main rationale behind the tourism and hospitality recovery program is to target those industries that are still feeling the impact most. Then it's to provide a broader net, because there is recognition that, while that industry is clearly the one that has been affected most by the health restrictions of the pandemic, there are others. That's what the hardest-hit business recovery program is for. Then the third program, the local lockdown, is really something that kicks in if and when new local lockdowns are, at some point, needed.

I hope that answers the question for part 1.

Ms. Julie Dzerowicz: It does. That is very helpful.

Can you talk a little more? When you start delving into the details, Mr. Baylor, it's very specific in terms of the kind of support we provide for the tourism sectors, the other hard-hit sectors and then the local lockdowns. Can you maybe talk a bit about the consultations the department had in drafting the criteria for each of these three categories?

Mr. Maximilian Baylor: Yes, I can start, and maybe my colleague, Yves Poirier, can add a little. He knows a bit more about the consultations and what the government did in that regard.

As you suggested, there was outreach in trying to talk to stakeholders and to understand the type and the level of support that was needed and the thresholds. It was also to make sure that this was targeted to those most in need, but, at the same time, providing the right support for those in need and to support them.

Perhaps my colleague, Yves, can add to that in terms of the consultations we had and what we heard.

Mr. Yves Poirier (Director, Economic Development, Business Income Tax Division, Department of Finance): No, I think that covers it all.

There was an initial announcement from the government that these programs would be rolled out and that more details would come around, like the definitions, in particular, for the tourism and hospitality recovery program. After this announcement, we received input from various stakeholders, basically with suggestions on how we could define those sectors.

That's the kind of engagement we've had with various stakeholders.

Ms. Julie Dzerowicz: My next question is how you determined what percentage of revenues lost was sufficient to apply for the benefit. That's the first part.

The second part is that, if this legislation is passed, it will be retroactive. Does it go to October, and then would it extend to May 2022? How did you determine the time frame?

• (1140)

The Chair: You have 20 seconds.

Ms. Julie Dzerowicz: I thought I had a couple more minutes. I'm sorry.

Who would like to respond in 20 seconds?

Mr. Maximilian Baylor: I will try my best.

In terms of the time frame.... Maybe I'll focus on that. The idea was to look at the path of the recovery and to try to time it with that, and to try to be consistent with the health restrictions and those. That was the general idea.

The Chair: Thank you, Mr. Baylor.

Thank you, Ms. Dzerowicz.

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

The Chair: Just before we move to the Bloc and Monsieur Ste-Marie, in regard to what Ms. Dzerowicz brought up with the phones not working well, I think we would have to reinitialize the phones, I understand, and that would take about 10 minutes. We would have to suspend for 10 minutes.

Also, the witnesses who are before us this morning are the witnesses who will be with us this afternoon. I say that, members, because for the suspension of 10 minutes we can either add some time, if everybody is in agreement, to this morning's session, or we could do it this afternoon.

I'm looking for agreement.

Hon. Pierre Poilievre: On a point of order, Mr. Chair, the phones are only for staff. Is that right?

The Chair: The government as well, Mr. Poilievre—

Hon. Pierre Poilievre: What do you mean “the government as well”?

The Chair: Other officials are listening in as well.

Hon. Pierre Poilievre: Could we maybe just record it and they can listen to it later?

The Chair: It's also available on ParlVu, but there is a delay.

Hon. Pierre Poilievre: How long is that delay?

The Chair: It's about a minute.

Hon. Pierre Poilievre: Okay. Good. Then we can go on.

The Chair: I'm looking to the committee and members in terms of—

Hon. Pierre Poilievre: If we stop the meeting, there will be more than a minute-long delay. There will be a delay for as long as we stop the meeting. If we could go on, then it'll only be a 60-second delay.

The Chair: We would suspend for 10 minutes for them to reinitialize the phones. We can add those 10 minutes beyond one o'clock or we can do that this afternoon.

Ms. Dzerowicz.

Ms. Julie Dzerowicz: I just heard a comment that this is a delay tactic.

I would be in support of this, Mr. Chair. The reason is that I think, for all of us asking questions, having officials listening in actually helps with some of the responses. I would be in favour of taking the 10-minute break in order to reset the system.

Hon. Pierre Poilievre: Wait a second. Are they on Zoom? The witnesses are on Zoom. Is that right?

Ms. Julie Dzerowicz: Yes, but you also have officials who are listening in—

The Chair: These would be individuals helping the officials. For the questions that are posed, the officials may need their support to be able to give fulsome answers to the questions.

Hon. Pierre Poilievre: If they were here in person, they wouldn't have someone standing by with an earpiece feeding them answers. They'd be able to answer on the spot. I don't understand.

Maybe the worry is that the PMO is not able to listen in and give direction on what's being said, but back in the real world here, we normally have questions asked by members and witnesses answering them without having some government authority feeding in answers—

The Chair: Mr. Poilievre, just to interject, I believe it's so they can provide the most fulsome technical answers to the questions that are being posed. It would take 10 minutes to reinitialize the phones—

Hon. Pierre Poilievre: On that point of order, Mr. Chair, I just asked the same question for five minutes straight, a technical, non-political question, and none of them was willing to answer that question. If they get the phones fixed, will they then be able to answer where the \$7 billion came from?

The Chair: Mr. Poilievre, thank you.

At this time, I think I'm seeing agreement. We are going to suspend for 10 minutes—

Hon. Pierre Poilievre: It sounds like a case of broken telephone.

The Chair: —and reinitialize the phones.

Thank you.

• (1140)

(Pause)

• (1150)

The Chair : We are ready to resume.

We will now move to the Bloc.

Mr. Ste-Marie, you have six minutes.

[Translation]

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

I, too, would like to thank all the public servants for being here today and for the work they do.

I will begin with a reminder. Earlier, the interpreters reminded us that when witnesses read out a speech, it is easier to interpret if the text has been provided to them beforehand. Thank you.

My first question is for Mr. Baylor.

Mr. Baylor, I would like to understand the calculation used in Bill C-2 to determine eligibility for the wage subsidy. I will use the hardest-hit business recovery program as an example.

As I understand it, for each qualifying period, the business must have had a revenue decline of at least 50%. If a business has a 60% revenue decline one month, a 40% decline the following month and a 60% decline the month after that, then it would be eligible for the subsidy for the first and third months, but not for the second month.

Is that how it works, or is there a way to calculate average losses over several periods?

• (1155)

Mr. Maximilian Baylor: Thank you, Mr. Ste-Marie.

I can answer first, and then my colleague Trevor McGowan can take over.

There are two testing criteria, yes. I assume that you are talking about current month revenue losses, which is the second test. If that is the case, generally speaking, what you said is correct, but I will give the floor to my colleague Mr. McGowan, as I believe he wants to add something.

[English]

Mr. Trevor McGowan (Director General, Tax Legislation Division, Tax Policy Branch, Department of Finance): Thank you.

I just wanted to add that it's not in this bill but rather in the general wage and rent subsidy rules. There is a special deeming rule that provides that the month-over-month revenue decline for any particular period is going to be equal to the greater revenue decline for the prior period or the current one. That was added in order to provide certainty up front, at the start of a period, as to how much of a revenue decline would be used [Technical difficulty—Editor] for the purposes of these tests.

To go back to your example, where an applicant or entity has a revenue decline of 60% for a particular period, then for the next period we know that the revenue decline would be deemed to be no less than 60%. Of course, if in the current period the revenue decline was 70%, that would be the number used, but the special deeming rule in the existing wage and rent subsidy legislation provides some more flexibility on that.

[Translation]

Mr. Gabriel Ste-Marie: Very good, thank you.

My next questions are also for Mr. McGowan.

Mr. McGowan, can you confirm for committee members that if Bill C-2 were to pass in its current form, would the minister have the authority, by regulation, to add other sectors to the tourism and hospitality recovery program?

For example, if any sector was facing significant challenges and needed a more generous assistance program, can you confirm that the minister would have the authority, by regulation, to include it in the tourism and hospitality recovery program?

[English]

Mr. Trevor McGowan: The rules contain a number of measures that could be modified by regulation. In general, the percentages and factors used for calculating wage subsidies can be modified by regulation.

Getting to your specific question, the definition of a base percentage—which is the basic wage and rent subsidy definition—if you look at proposed paragraph 125.7(1)(n), provides the flexibility to provide an alternative subsidy rate that can be calculated in respect of different entities or different applicants for the subsidies. That would provide flexibility to provide different wage subsidy rates that can be calculated for, in your example, a different industry beyond tourism and hospitality.

There is flexibility provided in order to change the subsidy rates and have different rates applying in respect of different entities, potentially in different sectors.

[Translation]

Mr. Gabriel Ste-Marie: All right, thank you.

As I understand it, the minister would therefore have significant regulatory authority. If Bill C-2 were to pass, the economy shifted and it was determined that small and medium-size businesses as opposed to large businesses, say, or a particular sector, should receive more assistance and a percentage had to be changed to ensure that they have access to one of the various components mentioned here, the minister would have that authority. New legislation would not be needed.

I would just like a confirmation.

Since my time is up, I will wait for the next round of questions.

Thank you very much.

• (1200)

[English]

The Chair: Thank you, Monsieur Ste-Marie.

That's time. I'm sure it could be answered in a later round.

We are now moving to the NDP with Mr. Blaikie.

Mr. Daniel Blaikie (Elmwood—Transcona, NDP): Thank you very much.

One of the purported goals of Bill C-2 is to support the tourism and hospitality industry. If you take independent travel agents as a case study, about half of the folks who are represented by the Association of Independent Travel Advisors have been very clear that they were being paid under the Canada recovery benefit program as opposed to any of the wage subsidy programs.

There's a reason for that. It's because they work for themselves. It's an industry that's about 85% women. A lot of them work out of their basements. Many of them continued to work in the early days of the pandemic helping their clients secure their rebates or travel vouchers. Many of them are working now to help as folks start to contemplate vacations and, in the interim, create bookings. Of course, they won't be paid until people actually take the trip.

This bill really doesn't provide any ongoing support for them. We know they are getting close to a time when they can support themselves financially, but this bill is an admission that this is a sector that has not yet recovered, and yet there's no help for those folks.

I'm wondering. What was the decision? What was the discussion around choosing to proceed in a fashion that would exclude such a high percentage of people in an industry that the government itself has said it wants to continue to support?

Mr. Trevor McGowan: Thank you for the question.

I can provide some information on the general policy background and how the rules in part 1 of the bill relating to the COVID subsidies work. Then if my colleague Max would like to jump in on the more policy-analysis side, he could do so.

I think there are really two points to be kept in mind with respect to the question of independent tour operators.

The first, of course, is that the wage and rent subsidies provided under these COVID rules in section 125.7 of the act do not specifically exclude independent contractors. In fact, if you have a sole proprietor who has employees or pays rent, they could avail themselves of the various subsidies in part 1 of the bill.

However, of course, that's not a complete answer, because, as was noted, a lot of independent tour agents operate as independent contractors, and the wage subsidy in part 1 of the bill subsidizes wages. Those are wages paid from an employer to an employee, so if no wages are paid, or if there are no employees, then there would be no qualifying expenses for the wage subsidy.

Similar considerations hold true for the rent subsidy. If you had an agent who was paying rent, perhaps because they were renting out a commercial space, then they could avail themselves of the rent subsidy, but we do understand that won't always be the case.

Mr. Daniel Blaikie: In fact, I think it's not the case for about 50% of people in the industry, which to me is a pretty sizable chunk of the industry. We're not talking about some outliers. We're actually talking about a pretty core part of the industry.

I am curious to know what the discussion around excluding those folks from ongoing financial support looked like, and where and when the decision was made to cut them out.

Mr. Trevor McGowan: I can say that, from the beginning, the wage subsidy was designed to subsidize wages and help retain the

connection between an employer and an employee. It has not applied to payments to independent contractors or, as has been mentioned earlier, dividends from business owners.

It was focused on subsidizing wages as were, as also noted, other programs put forward by the government like the CERB.

Mr. Daniel Blaikie: What we're trying to understand here is why a policy decision was taken to uniquely deploy the wage subsidy policy tool as a way to provide ongoing support to the industry, when it leaves about half the industry behind.

Until very recently, the government had another policy tool that captured those folks. That was the Canada recovery benefit. The Canada worker lockdown benefit was seen as the way to try to replace that. I think it does a shoddy job. That's a debate I'm looking forward to having, but not right now.

The question is this: If it was a principal policy objective of the government to continue to support people in the tourism and hospitality industry, why was there not a stream in the Canada worker lockdown benefit, for instance, that would provide for the very people I'm talking about right now—people who work independently, for themselves—who comprise a large percentage of the industry?

Why was a decision made not to create a stream under the Canada worker lockdown benefit that would continue to provide ongoing financial support to them, regardless of whether there was a public health lockdown in effect in their jurisdiction, as described in the act?

• (1205)

Mr. Trevor McGowan: I would need to turn to some of my colleagues who have been working on the CRB and Canada worker lockdown benefit in part 2 of the bill. I can really only speak to part 1.

Ms. Catherine Demers: Thank you for the question, Mr. Blaikie.

The lockdown benefit, as you mentioned, is really uniquely designed to address situations where workers—including self-employed workers and independent travel agents—who were affected by the lockdown could benefit from income support for the duration of the lockdown in their region. That's really in the context of addressing restrictions and the impact on workers due to public health restrictions—

The Chair: Thank you, Ms. Demers and Mr. Blaikie.

We are moving to our second round. There will be five minutes for questions from each of the members.

We'll start with the Conservative Party.

Mr. McLean, you are up.

Mr. Greg McLean (Calgary Centre, CPC): Thank you, Mr. Chair.

I'm going to continue with the question asked by my colleague about the \$7 billion that is part of this relief fund. I hope the telephone reconnection has allowed the proper officials to answer. I'll ask the question a little differently, if I may.

What recommendation are you giving to the finance minister about where this \$7 billion will potentially come from?

This is something that I'm reasonably certain the Deputy Prime Minister isn't coming up with on her own, so I hope she's getting a recommendation from somebody in this department.

Mr. Trevor McGowan: I can provide a quick technical answer. The amounts being paid—certainly under part 1 of the act for the various COVID subsidies—are coming out of the consolidated revenue fund. That's the technical answer for where the refundable tax credit payments are coming from.

Of course, amounts going into the consolidated revenue fund are fungible, so there's no tracing of dollar for dollar, but the answer to the question is that they come out of the consolidated revenue fund.

Mr. Greg McLean: The outcome is a \$7-billion higher deficit for this fiscal year going forward. Is that correct?

Mr. Trevor McGowan: Payments are coming out of the consolidated revenue fund. I would turn to some of my economist colleagues to talk about the deficit, rather than the legal mechanism.

The other thing to note on the second part of the question is that any recommendations or advice made by officials to the Minister of Finance would be a cabinet confidence and not something that we'd be able to discuss publicly.

Mr. Greg McLean: I don't know why this is cabinet confidence. We are asking a question.

Seven billion dollars more is going out the door, yet the Bank of Canada governor has said that he will not be buying any more securities under quantitative easing. If this is actually a market mechanism for issuing an extra \$7 billion onto the market, what do you expect the interest rate payable on those bonds will be in the market?

Mr. Trevor McGowan: I'm afraid that the government financing questions are well beyond my area of expertise. I'm not certain if we have anybody on the call who could answer the question, although we could look into whether or not a follow-up is possible. It's just beyond my area.

• (1210)

Mr. Greg McLean: Okay. Let me move on, sadly.

The pushmi-pullyu that you have with the programs here, where you're paying entities to hire people and at the same time paying people potentially to stay home, has actually increased the cost of labour significantly in most hospitality industries. Have you thought about this at all in your continued race to push money out the door at our hospitality industries in order to continue this spending mechanism that is accomplishing nothing but inflation?

Mr. Trevor McGowan: I can see if I understand the question, but then I would ask my economist colleagues to jump in. Is it the relationship between the COVID subsidies in part 1 of the bill, at least, and rising wages and inflation?

Mr. Greg McLean: The question is this. We were paying people at one point in time to stay home, and at the same point we were giving subsidies to the businesses to hire people back. It is causing a significant increase in the wage rates in those industries. Have you thought about that, as to how it's affecting inflation across the economy?

Mr. Trevor McGowan: Certainly I'd have to defer to my economist colleagues on the inflationary point, but of course, one of the central goals from the inception of the wage subsidy, for example, was to try to retain the employee-employer relationship so that people kept their jobs and were retained as employees.

Mr. Greg McLean: Okay. Yes. Thank you. I understand the goal.

My last question will go to you, Ms. Demers. You talked about the \$5,000 in earnings in 2020 in order to be eligible for these programs. How are you going to monitor that in respect of the amount of money that's gone out the door in what could be quasi-fraudulent distribution of government funds to many entities across Canada?

Ms. Catherine Demers: The proposed Canada worker lockdown benefit requires information contained in tax filings in order to determine eligibility. This is one of the eligibility criteria put in place for the Canada recovery benefit, and it is also proposed to be included as part of the worker lockdown benefit. To be able to receive this benefit, you would need to have filed taxes in 2020.

The Chair: Thank you, Ms. Demers.

We're moving over to the Liberals for five minutes

Mr. Baker.

Mr. Yvan Baker: Thanks very much, Mr. Chair.

I want to take this opportunity to thank all of the witnesses, all our officials, for their hard work on this legislation and other legislation that has been so important in supporting so many Canadians, millions of Canadians, through a global crisis. Thank you for your work.

I also want to follow up on the exchange with my colleague Mr. McLean. Just to provide further clarity, I was reading the bill after hearing Mr. Poilievre's question earlier on. Proposed section 29 states the following:

All money required to do anything in relation to this Act, including all money required by the Minister to administer and enforce this Act or by the Agency, as defined in section 2 of the Canada Revenue Agency Act, to administer and enforce this Act on behalf of the Minister, may, until March 31, 2026, be paid out of the Consolidated Revenue Fund.

That's proposed section 29. I just wanted to point colleagues to that in case there are questions. I think that answers the question that was being asked earlier.

Mr. Greg McLean: On a point of order, Mr. Chair, I don't think that answers any question whatsoever. The consolidated revenue fund is something that has to be funded by the government.

The Chair: That's not a point of order.

Mr. Baker.

Mr. Yvan Baker: Thanks very much, Mr. Chair. I'm just trying to help by providing some clarity. It's in the act there, if folks have questions or want to see it themselves.

The other point I want to make is this. There was a point made by a colleague opposite a moment ago that with this legislation, through the measures we put in place, we are paying people to "stay home". I think that was the terminology used. In my view, I couldn't disagree with that more. I think this legislation and the past programs we put in place are to help people put food on the table and survive during a global pandemic and a global crisis.

That said, Madam Demers, I have a question for you along those lines. Can you speak to how this bill will protect our most vulnerable Canadians and those who take care of them?

Ms. Catherine Demers: Thank you for the question.

The proposed lockdown benefit would really provide income support for those who are impacted, who are losing their jobs or losing their incomes as a result of public health restrictions in their region. It is for both those who would be, as I mentioned before, EI-eligible and those who would be non-EI-eligible. It really is meant to cover all workers and to be quickly available to those workers in need due to public health restrictions for public health reasons. It would be available for the duration of the lockdown.

Similarly, the amendments for the recovery sickness benefit and caregiving benefit are there to provide that continued income support for those who don't have a choice, who have to stay home, who are sick or who have to care for a family member due to COVID. They are really there to ensure that, with the uncertainty of the pandemic and for public health reasons, there are still income supports that could be available for the broad range of workers in need.

• (1215)

Mr. Yvan Baker: Thank you very much for that, Madam Demers.

[Translation]

My next question is for Mr. Baylor. I would like to expand on an issue raised by my colleague Ms. Dzerowicz a few minutes ago.

Mr. Baylor, how did you determine what percentage of lost revenue was needed before one could apply for the benefit?

[English]

Mr. Maximilian Baylor: Thank you for the question.

As I expressed earlier, it was essentially—and maybe my colleague Yves Poirier can add more after my answer—a balance of figuring out who is in need and then providing an amount sufficient for that need.

As you saw, once you hit the threshold at which you're determined to be in need, there's a relationship between the current-month revenue loss and the amount of the subsidy. For example, in

the tourism and hospitality recovery program, if you have a 30% to 40% current-month revenue decline, that corresponds to a 40% subsidy rate, and that increases up to a 75% current-month revenue loss. The idea there is to be able to provide that support, depending on your situation in the month you're getting the support.

I don't know if Yves has something to—

The Chair: Thank you, Mr. Baylor. That's Mr. Baker's time.

We are moving to the Bloc and Mr. Ste-Marie for five minutes.

[Translation]

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

Actually, it is two and a half minutes. I say that for the sake of transparency and to respect what was voted.

Mr. McGowan, I didn't find the final answer to my last question to be very clear, so I would like confirmation that, directly or indirectly, the Minister of Finance can modify the percentages established in Bill C-2 with respect to lost revenue and subsidies paid out.

As you said, directly or indirectly, she would have the authority, by regulation, to include struggling sectors? Did I understand correctly?

[English]

Mr. Trevor McGowan: Thank you. I would be happy to clarify. I apologize, but since it's a technical response, I will provide it in English.

The changes could be made by regulation, which would be done by the Governor in Council, generally on the recommendation of cabinet. The changes could be made by regulation. I don't believe that's something the minister could do herself, but it can be done through the normal regulatory process.

To answer your second question, yes, I believe it was paragraph (h) of the base percentage definition that was intended to provide the flexibility to modify the wage subsidy rate that you describe, possibly even based upon criteria like different industries or—

• (1220)

[Translation]

Mr. Gabriel Ste-Marie: Thank you very much for explaining, that was very clear. I can't always get my head around all the technical details quickly.

I would like to ask one more question, and it will be brief.

It is difficult, if not impossible, for companies that started up after the beginning of the pandemic to apply for pandemic assistance programs.

If I understood correctly, with respect to the extension of programs proposed in Bill C-2, nothing has changed in that regard. Is that right?

[*English*]

Mr. Trevor McGowan: That's right.

The requirement in the wage subsidy that an employer must have had a payroll number on March 15, 2020, has been maintained. That provides an important safeguard against fraud in the system, ensuring that applicants were in the CRA system as having employees at the start of the pandemic.

The Chair: Thank you, and thanks to Gabriel for that catch.

We're moving to the NDP for two and a half minutes.

Mr. Daniel Blaikie: Thank you very much.

In June of this year, the finance committee in the last Parliament recommended that the government undertake measures to prevent publicly traded companies and their subsidiaries from paying dividends or repurchasing their own shares while receiving the Canada emergency wage subsidy. It also recommended that the government recover wage subsidy amounts from publicly traded companies and their subsidiaries that pay dividends or repurchase their own shares. I'm just wondering if there was discussion about this recommendation around the table when the bill was being drafted.

I don't see any measures in the bill that would implement this recommendation for the programs on a go-forward basis or retroactively. Am I right that those are missing? If so, what was the discussion around not taking the committee's advice on this matter?

Mr. Trevor McGowan: I would note that, in budget 2021, and as enacted in Bill C-30 of the last Parliament, the government introduced rules that would require repayment of the Canada emergency wage subsidy for public companies that have increased their top executive compensation between two reference periods. It started in 2021, versus 2020. Now that the subsidies are being extended into 2022, you will find measures in Bill C-2 that would extend the government's announced requirement to repay the wage subsidy for large companies or public companies based on increases in executive compensation. That feature is continued.

Mr. Daniel Blaikie: Can I jump in?

I suspect that the committee's recommendation did not include a recommendation on executive compensation, because it was already provided for. They made recommendations about the things that weren't. What I'm asking is why the committee's advice was not taken on these further measures in respect of dividends and share buybacks.

Mr. Trevor McGowan: I would say, and perhaps Max can provide an update on it, that I believe that the June committee hearing resulted in an amendment to Bill C-30 that would require the tabling of a report in Parliament, rather than simply a recommendation. This is certainly something that we have been thinking about.

I can say that, when the government was looking at the best options to extend the wage subsidy, the decision was taken to extend the increases in executive compensation rules that were announced in budget 2021 and enacted in Bill C-30.

The Chair: Thank you, Mr. McGowan.

We're moving to the Conservatives and Mr. Chambers for five minutes.

Mr. Adam Chambers (Simcoe North, CPC): Thank you very much, Mr. Chair.

Thank you to all our witnesses.

A number of years ago, I had the benefit of spending some time in the Department of Finance for about four years. I know how hard many of you have been working over the last couple of years.

I have some questions. Perhaps I can start on eligibility criteria and how we're verifying them.

There were a couple of comments made about attestations. I'm curious. Can you shed some light on whether we are relying on the same verification of eligibility criteria for this set of supports as we did for the previous?

• (1225)

Mr. Trevor McGowan: I can certainly speak to the supports in part 1 of the bill. The answer is, yes, they're based on the same platform as the wage subsidy and the rent subsidy in section 125.7 of the act. They have the same applications, the same attestation requirements and the same requirements for payroll or business numbers, so they're a continuation in that respect.

I don't know if someone can speak to part 2, or if the question was just related to part 1.

Mr. Adam Chambers: No, it included part 2.

I think perhaps Ms. Demers was—

Ms. Catherine Demers: Yes. For part 2, what I can add is that it is based on the same platform. In order to be able to deliver the benefits quickly to the workers who need them, there is still an attestation-based application. Other requirements are being added. I spoke to one that was added later on for the Canada recovery benefit, which was the requirement to have filed taxes in the preceding year, but there's also, in this case, for example, the need to provide the postal code, the name of your employer and the location of work. Because this is a geographically driven benefit, you need to demonstrate that the loss of your work is in the region where the lockdown was occurring, for example.

Mr. Adam Chambers: Thank you very much.

Perhaps I'll just stick with Ms. Demers for a second. These additional eligibility criteria are requirements we're putting on applicants. Correct me, but we're not actually doing any additional checking on the government side before we send out a cheque. These are just additional questions we are asking applicants to verify. Is that correct?

Ms. Catherine Demers: We're asking applicants to attest, and there would be, potentially, subsequent verifications.

Mr. Adam Chambers: Thank you.

We're asking an applicant to tell us whether they filed taxes in 2020.

Ms. Catherine Demers: That's correct. They would need to attest that they did. As well, we would be sharing information between the CRA and Service Canada to ensure eligibility with respect to not having claimed EI for the same week they are requesting the lockdown benefit.

Mr. Adam Chambers: Thank you.

I hope you can appreciate how it may be slightly concerning that it appears that we are relying on the identical system of attestation and eligibility criteria that we did in the first section, which led to a significant number of people—in fact, at least 400,000—receiving CERB payments who were deemed to be ineligible. That mistake or confusion cost taxpayers at least \$50 million at that point. I'm a bit concerned that the only additional safeguards we're actually putting in this time around are just additional questions that people will attest to. As we have seen previously, obviously people were either confused or purposely misled on their application forms.

Thank you.

Ms. Catherine Demers: This—

Mr. Adam Chambers: I'm sorry, but that wasn't a question.

Thank you, Mr. Chair. There is 30 seconds left.

I suppose the question is whether we are actually going to consider the government taking any additional measures to check verification eligibility criteria before we send a cheque out.

Ms. Catherine Demers: In this context, as I've mentioned, additional measures have been inserted as part of verifying eligibility for the Canada recovery benefit, and they are being transposed to the lockdown benefit. These are being verified by the Canada Revenue Agency.

The Chair: Thank you, Mr. Chambers.

We're moving to Madame Chatel for the Liberals for five minutes.

• (1230)

[*Translation*]

Mrs. Sophie Chatel (Pontiac, Lib.) Thank you, Mr. Chair.

Much like Mr. Chambers, I worked at the Department of Finance for several years. I'd like to acknowledge my former colleagues and recognize the efforts they have put in during the pandemic to ensure that Canadians received excellent service. I commend them for their work.

My first question is related to the programs, specifically to Part 1, which deals with the wage subsidy and the rent subsidy. As we know, these programs have been critical to Canada's economic recovery. We also know that we need to continue offering these programs in certain targeted sectors.

In general, what impacts were reported during consultations with the businesses or sectors hardest hit by the pandemic? What are the current needs? How will these programs help address them?

Mr. Maximilian Baylor: I will let my colleague Yves Poirier answer. As I mentioned, he was in closer contact with stakeholders about the wage subsidy and rent subsidy programs.

Mr. Yves Poirier: Thank you for the question, Mrs. Chatel.

Broadly speaking, as stated in the answers to the previous questions, after these programs were officially announced, consultations were held with the various stakeholders. That formed the basis, in part, for the definitions that were put into the bill, but also for establishing the revenue loss thresholds at which it was felt that businesses really needed the assistance. That's the kind of information we took into account when designing these programs.

Mrs. Sophie Chatel: Thank you.

Now I would like to follow up. We know that in Quebec and across Canada, the cultural sector is very important and it is still suffering. I saw that you expanded your definition of a tourism or hospitality entity to include the cultural sector.

Can you tell us a little more about this definition that is in the bill?

Mr. Yves Poirier: Indeed, the definition of an eligible entity for the tourism and hospitality recovery program largely encompasses the cultural sector. For example, one of the provisions mentions organizing, promoting, holding, supporting or participating in activities that meet the cultural or artistic interests of the entity's clients. Therefore, this provision is quite broad and covers a large part of the cultural sector.

Other provisions would include, for example, owners of buildings used for holding artistic activities and other activities like that. They could also benefit from the tourism and hospitality recovery program.

I believe my colleague Mr. McGowan wants to add something.

[English]

Mr. Trevor McGowan: Thank you, Yves.

I just wanted to build upon the question and get at one of the points about how the hospitality program is intended to help businesses in the sector, and the approach to defining the sector in the regulations. You'll see in the draft regulations a fairly extensive list—expanded, perhaps—of what qualifies as a tourism or hospitality type of business. The reasoning for that is to provide the maximum amount of certainty possible for applicants under the wage subsidy.

There are a lot of organizations across Canada that are relying on these subsidies and will want to know if they qualify or not. To that end, the decision was taken to try to provide as clear and comprehensive a list as possible of the types of business activities that could qualify for the wage subsidy, so that each applicant would know whether or not they did qualify. That's part of the reason the list spans a number of pages; it's to help out businesses in the application process.

Also note that—

• (1235)

The Chair: Thank you, Mr. McGowan. That's the end of the time for Madame Chatel.

We are moving into our third round. The Conservatives have the floor now for five minutes.

Go ahead, Mr. Stewart.

Mr. Jake Stewart (Miramichi—Grand Lake, CPC): Thank you, Mr. Chair.

I want to thank all of the witnesses for being here today. Any of the witnesses can answer my questions. Whoever feels they are best suited to answer them, that's fine by me.

One of the things we discovered here today, very early on.... Obviously, \$7 billion is a lot of money, and we saw the lack of safeguards put in initially with this program. Today we're unable to determine where any of that money is coming from. We do know that billions and billions of dollars in revenue in this country pour in from the energy sector. We also know that this government is trying to kill that sector. There's likely a good case that money from oil and gas and other revenue is probably enabling some of this spending, despite the constant cry of a climate crisis.

As for where my first question lies, the Canada Revenue Agency, during a hearing of this finance committee in July 2020, advised that both the CERB and the CEBA were being targeted, could potentially be targeted, by criminal organizations. Today I'd like to know, from whichever witness feels best to answer the question, what directives were given to department officials by government for the drafting of this new bill based on and taking into account what was foretold in July 2020 at the Standing Committee on Finance.

Mr. Trevor McGowan: I just want to confirm that it relates to the Canada recovery benefit and the lockdown support in part 2 of the bill more so than the emergency wage subsidy and rent subsidy in part 1. I'd be happy to discuss the safeguards against fraud and

abuse in those subsidies, but I understood the question to be more focused on part 2.

Mr. Jake Stewart: I think with the \$7 billion that's going out here today, unaccounted, rather than getting right into exact programming.... We're talking about \$7 billion in unaccounted dollars here. With the recent report from FINTRAC, I think it's important that whichever safeguards you want to talk about that were put in place to prevent criminal organizations from getting their hands on any of this money.... Those are the answers I seek.

Ms. Catherine Demers: I can perhaps provide a bit more detail related to the integrity measures that are part of the proposed legislation on the Canada worker lockdown benefit. As I mentioned previously, some measures were taken in the context of the Canada recovery benefit. One in particular, the requirement to have filed taxes in the preceding year, is being repeated in this proposed bill or piece of legislation. In order for workers to be able to receive or be paid the lockdown benefit, they would need to have filed taxes in 2020. That would be verified by the CRA to ensure that they meet the income eligibility.

Ensuring that claimants or applicants meet the income eligibility is part of the verification process and the integrity measures.

• (1240)

Mr. Jake Stewart: I appreciate that answer. Thank you for that, by the way.

There was a request for an investigative audit into the monies that bled into criminal enterprises during the course of the pandemic, with all the benefits that we're discussing here today. Of course, now we're discussing a brand new suite of \$7 billion....

I'm sorry...?

The Chair: I didn't say anything, but we've gone well past the time. Thank you.

We are going to move now to the Liberals and Mr. MacDonald for five minutes.

Mr. Heath MacDonald (Malpeque, Lib.): Thank you, Chair.

I'm curious. I want to follow up on Mr. Stewart's comments relevant to the security measures being applied to minimize fraudulent activities.

Are you comfortable with what the CRA and national revenue are applying to ensure that this is minimized?

Mr. Trevor McGowan: I can provide some quick comments on part 1 of the bill, before turning it over to my colleague for comments on part 2.

The Department of Finance has, since the inception of the wage and, later, rent subsidy rules, worked with the Canada Revenue Agency to help prevent fraud and ensure compliance. To that effect, it has taken a number of measures, including significant penalties for misrepresenting or artificially inflating entitlement amounts, requirements for attestation and requirements that payroll numbers or business numbers had to have been obtained before the crisis to prevent fake companies from being set up.

We work with the Canada Revenue Agency. In talking with them, they would be best situated to describe their specific programs, but I know that they provide the initial triage of applications based upon a risk assessment. The government provided the authority for the Canada Revenue Agency to not pay the amounts under the wage, and later, rent subsidies if the minister is concerned about fraud or integrity matters. That goes back to the first bill introducing the wage subsidy, I think in subsection 164(1.6) of the act.

Those are built into the platform for part 1, and the new measures here would continue to rely upon that.

I'll turn it over for part 2.

Ms. Catherine Demers: I cannot speak on behalf of the Canada Revenue Agency to explain how those integrity measures are applied. What I can say is that there were strengthened integrity measures put in place for the Canada recovery benefit that have been applied to the lockdown benefit. These allow for it to meet that balance between ensuring that supports are available when workers need them and, at the same time, allowing for that rigorous verification of eligibility.

Mr. Heath MacDonald: Can you tell me how many people benefited from the existing programs that were put in place after COVID-19?

Ms. Catherine Demers: If you don't mind, I would like to ask my colleague George Rae if he's able to support me in providing an answer on this for the Canada recovery benefit. Otherwise, we would be happy to come back with an answer on the specific number.

• (1245)

Mr. George Rae (Director, Policy Analysis and Initiative, Employment Insurance Policy, Skills and Employment Branch, Department of Employment and Social Development): There were approximately 2.3 million unique applicants for the Canada recovery benefit, with a total gross dollar value of \$28.3 billion. That is for the Canada recovery benefit. Those figures are as of November 28.

Mr. Heath MacDonald: Has an analysis been done? If Bill C-2 doesn't go through, what negative effect will it have on our economy?

The Chair: You have only 15 seconds. We're going to have to move, Mr. MacDonald. Thank you.

We're moving to the Bloc, Mr. Ste-Marie, for two and a half minutes.

[*Translation*]

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

My colleague Sophie Chatel mentioned the cultural sector, which is included in the tourism and hospitality recovery program. Mr. Poirier confirmed this, and we are very happy with that inclusion.

We, in the Bloc Québécois, are very concerned about self-employed workers in the cultural sector. In fact, a few years ago, the model for independent and freelance workers in the cultural sector in Quebec took the form of self-employed workers. What is understood from Bill C-2 is that self-employed workers in the cultural sector currently find themselves without a support program, as there is no longer the Canada emergency response benefit, or CERB, or the Canada recovery benefit, or CRB.

Could Mr. Poirier or Mr. Baylor confirm this for me?

Thank you.

Mr. Yves Poirier: Thank you for the question.

I would like to echo a comment made earlier by my colleague Mr. McGowan.

The wage and subsidies apply to wages and rents. To be eligible for these programs, you had to have and will have to have eligible expenses, such as wages or rent.

So self-employed workers would not be eligible for the wage subsidy, since they do not pay any wages. They might be eligible for the rent subsidy if they have to pay rent. However, the basis of these subsidies does not change.

Mr. Gabriel Ste-Marie: Thank you for the clarifications.

A freelance worker in the cultural sector does not have eligible expenses for rent. So a program will be needed to support self-employed workers. Bill C-2 contains no measures for these people, yet this is a sufficiently important sector for us to say to ourselves, as a society, that we cannot afford to lose this expertise.

I will come back to this later, because my time is up.

Thank you very much.

[*English*]

The Chair: Thank you.

Now we will move to the NDP, Mr. Blaikie, for two and a half minutes.

Mr. Daniel Blaikie: Thank you very much.

One category of business that I've heard from, which I will just take as an example, is New Flyer Industries in my riding, which is a bus manufacturer. They have struggled in the pandemic. Obviously ordering new buses wasn't top of mind for cash-strapped municipalities.

They are optimistic about their future, but the way the ongoing support is structured for the hardest-hit business programs doesn't take into account the way a business like theirs receives their revenues. They may have very little revenue for months at a time, and then they deliver an order and get paid in one month for maybe several buses. They have a revenue spike, and then the following month they are back to working on some of what's left of their remaining pre-pandemic orders, and they may not be paid again for some time.

I'm just wondering if the department contemplated businesses that operate on this kind of model and what recommendations they have for them.

Is there anything in Bill C-2 that would provide assistance to these businesses, or are they out of luck because of the nature of their revenue cycle?

• (1250)

Mr. Trevor McGowan: The calculations of revenue in Bill C-2 are based on the existing rules for the wage and rent subsidies that are found in the act and that have been relied upon by businesses since the inception of those programs.

I can say that there has been some thought given to providing additional flexibility—and this was evident from the start of the program—for businesses in terms of determining their revenue calculations. For example, there is an option to elect a cash-basis revenue calculation, which would be, I suppose, the opposite of what would be hoped for here, whereby you look to cash revenues to determine what revenues fall in what months, but the basic rule is to rely upon revenues for accounting purposes, which is more typically done on an accrual basis.

The revenue rules that are in Bill C-2 are based on the existing ones.

I would mention that, for some of the programs that look to year-over-year or prior-year revenues, those are based on revenues over a 12-month period, which would hopefully smooth out some of those timing issues. In addition, as we discussed earlier, there is the deeming rule that could apply, which would allow for an entity to pick the higher revenue decline for the current period or the prior period.

The Chair: Thank you, Mr. McGowan.

We're moving to the Conservatives for five minutes.

Mr. McLean, go ahead, please.

Mr. Greg McLean: Thank you, Mr. Chair.

I'll go further on some of the questions we didn't get to last time.

One of the issues, of course, is the regulatory extension from May to July that you talked about for all or part—I'm not sure—of the three different parts of this bill. I'd like you to comment on that and on whether you see them going hand in hand or if you can extend just parts of them. Under what circumstances would you see these extensions to July being necessary?

Please comment on how you pushed July as being the month that you're going to push it to.

Mr. Trevor McGowan: I can speak to the deadline for part 1 of the bill, and then I'll turn it over to my colleague for part 2. There is the flexibility to add two more qualifying periods, which, as was mentioned, could go up to July 2, 2022.

With each bill and iteration of the wage subsidies, there has been an extension of how far out it could be applied. They have never made them indeterminate or without end, but they have provided enough flexibility to get through the next few months. I'm sure that if [*Technical difficulty—Editor*] they would have [*Technical difficulty—Editor*]. I remember the hope was—

Mr. Greg McLean: Thank you.

The issue, of course, we're looking at is the accountability for the outcome and decision-making here.

If there's just an obvious extension, how do we hold the government accountable for that extension when it means more money going out the door, more on top of the \$7 billion you're already planning to spend?

Mr. Trevor McGowan: I'm not sure I can speak to the political process of holding accountability, but I would note rather that the time limit of July 2—and these limits have been around for as long as these measures have—is intended to ensure that, for any extensions beyond the set horizon, the government would have to come back to Parliament.

Mr. Greg McLean: The government would have to come back to Parliament if it ended in May, but now it wouldn't have to come back to Parliament if you extended it past the \$7 billion. Say it's \$10 billion by July, but there's no accountability for that built into this bill. Is that correct?

Mr. Trevor McGowan: The government would need to come back to Parliament in order to extend it past July 2, 2022.

Mr. Greg McLean: Yes, that was my question. The \$7 billion would be for the May time period, and then probably more, I would presume, would be required if we extended it to July. Am I wrong?

Mr. Trevor McGowan: I'm not sure about the costing, but my colleague Max can speak to that.

Mr. Maximilian Baylor: That's correct. The costing is up until the May 7 date. Then, in terms of the policy rationale behind the extension, I would simply echo some of the comments of my colleague.

• (1255)

Mr. Greg McLean: Okay, to finalize on that then, we're talking about a \$7-billion program here until May, but extending it to July would cost us just, pro rata, probably \$9 billion total? Is that what we're authorizing here?

Mr. Maximilian Baylor: I can't answer that at this stage. It would depend on the parameters of the program at that point.

Mr. Greg McLean: Okay. Thank you.

I'll go back to Ms. Demers on the \$5,000. There are all kinds of reports of this program being abused by corporate entities and income-splitting entities that are backdating who was being paid in their organization and even in their families. In Calgary I have quite frequently heard that a lot of organizations took advantage of these programs along the way to add family members to the financial statements of their companies in order to get more money into their pockets.

Would you commit to actually looking at this investigation and seeing where it leads? This does seem to be a rather deep problem in the delivery of these programs.

Ms. Catherine Demers: Thank you for the question.

This is a question that perhaps the Canada Revenue Agency may be able to help us with, sir. I could take it back, but I'm not familiar with the details of these cases.

As I've mentioned before, we have some strong measures, integrity measures, that have been added to ensure there is verification prior to issuing the payment of the benefit. These measures were put in place last year for the Canada recovery benefit and are now part of the proposed bill for the lockdown benefit. They're very important because they allow us, before payment, to ensure that the information related to income is accurate.

The Chair: We have one last questioner from the Liberals, Ms. Dzerowicz. This is going to conclude our third round and also our session here for our second meeting of the standing committee.

Ms. Dzerowicz.

Ms. Julie Dzerowicz: How many minutes do I have, Mr. Chair?

The Chair: You have about four minutes.

Ms. Julie Dzerowicz: Thank you so much.

I just want to address two key things that I think keep coming up. The first is that we started the session with \$7 billion and where it's coming from. I was really pleased when it was pointed out by my colleagues that it has come from the consolidated revenue fund. I think Mr. McGowan also pointed that out.

Just for those who might be listening, I hate it when we're asking questions and it seems as though officials are taking time to respond. I think it's important to just point out that we have officials who are here to address specific elements of Bill C-2, and I want anyone who might be listening to know that there will be an opportunity to answer the questions around the \$7 billion in a couple of days or in upcoming testimony from other witnesses.

I also want to address the issue of fraudulent activity or criminal activity taking advantage of some of our emergency programs. We do know that CERB has implemented both front-end safeguards and back-end verification measures to make sure not only that we are getting these emergency payments out quickly throughout this whole pandemic but also that we are ensuring that cases of fraud or deliberate misrepresentation are identified. I'd even say and just re-

mind everyone that in our fall economic statement in 2020 we did actually provide additional resources and measures that would allow CRA to continue to improve their investigations and their verification measures.

I'll also indicate that in August 2020 the Government of Canada issued a statement indicating that the CRA and other departments had been targets of cyber-attacks. All of these investigations were directed to the RCMP, which has been helpful in investigating some of the suspected activity as well as any suspected frauds relating to the emergency relief benefit.

I just don't want to leave the impression with anyone who might be listening or anyone in this room that there has not been aggressive activity on the part of the CRA to make sure that the emergency supports continue to get to where they are supposed to go or that, if there is any suspicious or fraudulent activity, it is not being acted upon.

In the remaining time I have, which is about a minute and a half, whether it's on section one or section two, whether it's Ms. Demers or Mr. Baylor, I wonder if you can explain to what extent the programs, particularly the ones that we are proposing, have pivoted to respond to the public health situation. If each of you could respond on that for 30 seconds, I'd be grateful.

• (1300)

Mr. Maximilian Baylor: I can certainly start with part 1.

That was very much the intent of the most recent programs, to go from the broad CERB and rent subsidy programs to more targeted programs that are really more centred, at this stage of the pandemic as we move forward and we start the recovery from the pandemic, on those industries and businesses that have been and continue to be hardest hit. That was very much a part of the policy.

I'll turn it over to Ms. Demers for part 2. Thank you.

Ms. Catherine Demers: Thank you.

The reasons are very similar. It's really to be responsive to public health reasons that the proposed introduction of the lockdown benefit and adjustments to the sickness benefit and caregiving benefit are being put forward in this bill. It's to adjust to the situation, the uncertainty of the pandemic and the fact that there is still the possibility of public health restrictions that may impact workers for a period of time. We're trying to ensure that would be covered through these measures.

The Chair: Thank you.

That's going to conclude our third round and also this session. I want to thank the officials on behalf of all the members of the committee, although you will be back with us in a short two and a half hours. We look forward to seeing you again and being able to ask you further questions.

Thank you very much. We're going to adjourn this meeting.

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: <https://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 des communes.

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 :
<https://www.noscommunes.ca>