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Chair: Mr. Peter Fonseca



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• (1530)

[English]

The Chair (Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.)): I call this meeting to order.

Welcome to meeting number 47 of the House of Commons Standing Committee on Finance. Pursuant to the order of reference of May 10, 2022, the committee is meeting on Bill C-19, An Act to implement certain provisions of the budget tabled in Parliament on April 7, 2022 and other measures.

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 or remotely by using the Zoom application. As per the directive of the Board of Internal Economy on March 10, 2022, all those attending the meeting in person must wear a mask, except for members who are at their place during proceedings.

I'd like to make a few comments for the benefit of the witnesses and members. Please wait until I recognize you by name before speaking. For those participating by video conference, click on the microphone icon to activate your mike, and please mute yourself when you're not speaking. For interpretation, those on Zoom have the choice at the bottom of your screen of either "floor", "English" or "French". For those in the room, you can use the earpiece and select the desired channel.

I remind you that all comments should be addressed through the chair. For members in the room, if you wish to speak, please raise your hand. For members on Zoom, please use the "raise hand" function. The clerk and I will manage the speaking order as best we can, and we appreciate your patience and understanding in this regard. I request that members and witnesses mutually treat each other with respect and decorum.

I would now like to welcome today's witnesses.

As an individual, we have Pierre Laliberté, Commissioner for Workers. Welcome.

From the Canadian Federation of Independent Business, we have Corinne Pohlmann, who is the senior vice-president of national affairs and partnerships, and Jasmin Guénette, vice-president of national affairs. Welcome.

From the Quebec Council of Employers, we have Karl Blackburn, president and chief executive officer, and Norma Kozhaya, vice-president of research and chief economist. Welcome.

We will begin with Mr. Laliberté's opening remarks. You have up to five minutes, and the floor is yours.

Mr. Pierre Laliberté (Commissioner for Workers, As an Individual): Thank you, Mr. Chair.

[Translation]

Thank you all.

Certain measures in the budget document relate to employment insurance, and I am prepared to address all aspects of that subject that may interest you. With that said, I'm here to speak more specifically about division 32 of the Budget Implementation Act bill, which deals with appeal boards. These are not the most eye-catching provisions of the budget document, or the most spectacular, but they are important for employment insurance claimants and people who appeal decisions of the Canada Employment Insurance Commission.

Before getting to the heart of the matter, I would like to mention that I am not speaking only for myself; I am also speaking for my colleague who represents employers on the Commission, Nancy Healey.

After the budget implementation bill was introduced, we signed a joint letter to the minister that I will send you, expressing our concerns about division 32 concerning the Employment Insurance Board of Appeal and asking that the provisions be removed from the bill and examined in greater depth. Those provisions, which are not very well known, echo an announcement made by the government on August 15, 2019, concerning the return of appeal boards, a tripartite body under the aegis of the Employment Insurance Commission. Since then, implementation of the new structure had been put on ice, largely because of COVID-19, which explains why we are talking to you about it today.

The introduction of the bill therefore shows us certain details of the proposed structure for the first time.

• (1535)

[English]

Before diving in, it is worth remembering that the proposed structure is meant to replace the general division of the Social Security Tribunal, a tribunal that was created back in 2012 to replace the board of referees that had successfully administered appeals for the EI program since the 1940s.

It is also worth remembering that this 2012 reform was done with no proper and prior assessment or consultations at the time. For the most part, it seemed to have been driven, ultimately, by cost considerations. My predecessor in this position was informed of the change by senior officials while she was in a budget lock-up. That's just to say that this was not a topic of public discussion. As the disposition of the new SST was included in the Budget Implementation Act in 2012, the reform was essentially imposed with no public discussion whatsoever. This is a mistake we would not like to see repeated in this year's budget.

Over the following years, there was much public outcry over the dysfunction of the SST. This led the minister responsible for the program, Jean-Yves Duclos, to call for a third party review.

The finding of the review bore out the criticism levelled at the SST. It also established that the SST was more costly than the board of referees. The minister then set up a co-development working group with stakeholders from both the labour and the business communities with the objective of re-creating a light in-community road and structure that would deliver justice by peers in an efficient manner. This was done in a tripartite manner under the stewardship of the commission.

I would like to offer that what we have in front of us in division 32 is not what was discussed back in 2018, nor does it reflect, I believe, the vision the government had when it went forward. It seems that along the way, that vision was translated in a different manner.

For those reasons, we'd like to basically call a time out on those dispositions and ask that division 32 be removed from the budget bill and studied separately. The whole world does not hinge on that being included in the budget bill. We believe, given that the intentions of the government don't seem to be fully reflected in the current language, that it would be appropriate and time well spent to sit down and study this aspect with all the parties concerned.

I don't know if I have much time left.

The Chair: You have no time left.

Mr. Pierre Laliberté: Well, I'll be happy to go into more of the details of the reasons that bring us here.

The Chair: Sure, you can do that during question time.

[*Translation*]

Thank you, Mr. Laliberté.

[*English*]

Now we will hear from the Canadian Federation of Independent Business.

Ms. Corinne Pohlmann (Senior Vice-President, National Affairs and Partnerships, Canadian Federation of Independent Business): Thank you.

Thanks for the opportunity to be here today. I am joined by my colleague Jasmin Guenette, who will help with answering some of the questions when we get to that point.

First of all, CFIB is a non-partisan, not-for-profit organization that represents 95,000 small and medium-sized companies across

Canada. Our members come from all regions of the country and are representative of all sectors of the economy.

It's important to remember that small businesses are still feeling the impacts of the pandemic. Only two in five are making normal sales. Just over a third are reporting no pandemic-related debt. Fewer than one in five indicate that they're not holding any pandemic-related stress. This means that two-thirds of small businesses are dealing with, on average, about \$160,000 in pandemic-related debt. More than 80% are still dealing with the mental health impacts of COVID.

While we're pleased that restrictions have lifted, COVID support programs have now ended. Small businesses are now facing a host of new challenges. The most notable are rising prices and inflation, supply chain challenges, increasing government costs and labour shortages, all of which contribute to the rising cost of doing business. In fact, over nine in 10 small businesses are telling us that their costs have increased substantially since the pandemic began and that this is now the number one issue facing Canada's small and medium-sized businesses.

As you might expect, our focus going into this budget was to push for initiatives that might help small businesses deal with their costs, or at least do no further harm. This is also the lens we brought to our reaction to Bill C-19, the budget implementation act. We feel that there are some elements in the act that certainly can help, but there are also a few things that worry us and a number of things that we think are still missing.

Starting with what we liked, we are pleased to see that immediate expensing is finally moving forward after being announced in budget 2021. We've had many calls from small business owners hoping to leverage this incentive, as it was supposed to come into effect as of April 2021. However, without legislation, CRA could not process claims, delaying the use of this incentive at a time when some businesses could really have used it. It's also going to unfortunately result in extra paperwork, as those businesses that may have claimed now have to refile to get the incentive passed back over to them.

We were also pleased to see the labour mobility deduction as part of this bill, as labour shortages continue to cause major issues right across Canada. Having a deduction that allows sought-after tradespeople to deduct up to \$4,000 in travel and/or relocation expenses will help make it easier for some of them to accept jobs in more remote areas that struggle to find the skilled workers they need.

We were also pleased to see some provisions that would provide CRA with the discretion to accept late applications for the Canada emergency wage subsidy, the rent subsidy and the hiring program. These programs have been essential for the survival of many small businesses but can be very complex and challenging to apply for. Giving CRA some flexibility with applications will go a long way in making sure businesses that have legitimate claims are still able to access those funds.

However, there are also several elements that we feel were missing from Bill C-19 that could have helped alleviate some of the challenges currently facing small businesses and their economic recovery.

First, we noted that one of the most significant elements of budget 2022, which was to raise the taxable capital limit to access the small business tax rate from \$15 million to \$50 million, was not included in the bill. This provision is important, as the taxable capital limit has not changed in more than 20 years, and it would allow more small businesses to access the small business tax rate. It's disappointing that it's not part of this bill. We hope to see it implemented very soon.

Similarly, the employee ownership trust is another announcement from that particular budget that was very well received by small business owners but is not included in this bill. Again, we would like to see some movement on that, because it's an important new option for those looking to exit their business.

We were also disappointed to see nothing to help hard-hit small businesses deal with their debt. As mentioned, there are substantial amounts of debt, averaging about \$160,000 among about two-thirds of small businesses, and we had hoped the government would respond by potentially doing something like increasing the forgivable portion of the CEBA loan or potentially extending the deadline to pay it off another year.

We were disappointed to see that federal payroll taxes like CPP and EI are scheduled to go up again in 2023—well, for CPP again, and EI for the first time in three years. These types of taxes are actually particularly challenging, as they are profit-insensitive and difficult for smaller businesses to absorb. As a result, when these taxes are increased, they tend to eat into the training costs, the wages they can pay and their ability to grow their business. Finding some ways to offset these costs, at least partially—maybe through an EI tax credit, for example, that allows them to keep some of these costs in the business—would be welcome in the future.

There were also a number of other tax changes that were narrower in scope but would nonetheless have an impact on many different small businesses in the sectors affected by them. These include the introduction of a luxury tax, the ongoing escalator of the beer tax, the elimination of the excise tax exemption for Canadian wine and the introduction of an excise tax on vaping products.

• (1540)

While each may have a purpose on its own, it's really the accumulation of all these taxes that can be devastating for small businesses already reeling under lots of debt, dealing with higher costs of shipping and supplies and trying to find staff who can help them keep their businesses afloat.

The coming months are going to be challenging as we transition Canada from a COVID pandemic with lots of supports to a post-COVID economy with no supports but many new challenges. While supports may no longer be the right policy choices, governments must remain focused on making sure that policy decisions do not make things worse for small business.

Thank you. I look forward to your questions.

• (1545)

The Chair: Thank you, Ms. Pohlmann.

Now we'll hear from the Quebec Council of Employers.

[*Translation*]

Mr. Karl Blackburn (President and Chief Executive Officer, Quebec Council of Employers): Thank you, Mr. Chair.

Good afternoon, members of the committee.

My name is Karl Blackburn and I am the President and Chief Executive Officer of the Quebec Employers Council, the QEC. With me today is Norma Kozhaya, Vice-President of Research and Chief Economist.

Our organization was created in 1969 and is a confederation of almost 100 sector-based associations and a number of member companies that represent the interests of over 70,000 employers of all sizes and in all regions of Quebec in the private and parapublic sectors.

In general, the QEC welcomes the introduction of the federal budget with plans to invest in productivity and the green transition. The QEC is particularly pleased with the tax incentives for manufacturing zero emission technologies and for companies that invest in clean energy equipment. The ecological transition and greening of our economy can also be sources of profitability, competitiveness and wealth for Canada as a whole.

Innovation comes out ahead in this budget since there are both significant and diversified funds that support investments. I am thinking, in particular, of the creation of the Canadian Innovation and Investment Agency and the Canada Growth Fund, which we will learn the details of in the fall.

On that subject, however, I must point out that the luxury items tax that was presented in the budget sends a signal that is inconsistent with the measures I have just listed. In addition, it might have a negative impact on the Canadian aerospace sector, to the benefit of foreign manufacturers.

I want to stress two elements in particular. First, the mechanism providing for payment on delivery followed by a rebate on export of an aircraft will have a significant impact on the working capital of Canadian firms in the aerospace sector. Second, the proposed 90 per cent threshold for the business use exemption is much too high, compared to what exists in other regulations.

On a more positive note, the proposed shift to the green economy provides a significant incentive for business. The amounts provided encompass a wide range of structuring measures, including measures to support decarbonization projects. I would also note certain measures associated with training and the investments to expedite immigration procedures.

Before concluding, I am going to address a few matters that we believe deserve particular attention. First, some projects deserve a boost from the federal government, and in particular incentives for experienced workers, given the labour shortage situation and the extension of assistance programs in certain economic sectors experiencing problems.

Finally, the federal government should quickly initiate a discussion about controlling deficits and the public debt load with the extension or creation of relatively hefty social programs.

Mr. Chair, Norma Kozhaya and I look forward to answering questions from members of the committee.

Thank you for your attention.

The Chair: Thank you, Mr. Blackburn.

[English]

Witnesses, members, we'll now move to our rounds of questions.

In our first round, each party will have up to six minutes to ask questions of our witnesses.

We'll commence with the Conservative Party, and I have MP Albas up first for six minutes.

Mr. Dan Albas (Central Okanagan—Similkameen—Nicola, CPC): Thank you, Mr. Chair, and thank you to all of our witnesses for sharing your expertise on Bill C-19.

[Translation]

I will first address the representatives of the Quebec Employers Council.

Mr. Blackburn, you could start by telling us about the luxury items tax that has been proposed by the government. What will the impact of that tax be on your industries, particularly when it comes to the rebates?

• (1550)

Mr. Karl Blackburn: I'm going to answer you and then I will turn the floor over to my colleague, Ms. Kozhaya, who will be able to give you more precise information.

First, the aerospace industry, in the present circumstances, after getting through some very difficult times, will obviously suffer the negative effects of that tax, particularly if we take into account international competition, which is very fierce. The two measures I mentioned in our brief presentation are inevitably going to cause a

major cash flow problem for the aerospace sector and aircraft manufacturers in Canada.

Second, by raising the business use threshold for an aircraft to 90 per cent in order for it to be considered to be used for a commercial operation and not personal use, it will inevitably create a distortion in the market, when a 50 per cent threshold is used in other comparable sectors.

This is a somewhat general answer, but if I may, I'm going to ask my colleague, Ms. Kozhaya, to give you a fuller explanation in answer to the precise question you have asked.

Ms. Norma Kozhaya (Vice-President of Research and Chief Economist, Quebec Council of Employers): Thank you for your question.

Yes, as Mr. Blackburn explained, the problem is that the tax is paid directly at the time an aircraft is sold. But the aircraft may stay in Canada for several months to undergo modifications, for example, or for other reasons. Only after the plane is exported is the rebate given. In the meantime, there may be cash flow problems on the order of several million dollars, problems that other manufacturers in other countries aren't subject to.

Obviously, the tax itself is problematic, but assuming that there are reasons that make it acceptable, in our opinion, it is aimed more at individuals, the customers who buy an aircraft for personal use, and not for commercial use. Under the bill, to be exempt from the tax, the aircraft must be used for business purposes at least 90 per cent of the time, or nearly 100 per cent of the time. As well, the calculation is pretty complex.

We also know that the United States had a similar tax in the 1990s that was ultimately abolished, because it turned out not to be a good idea. It puts Canadian manufacturers at a disadvantage. As well, we know that it is an important value chain, for both manufacturers and their suppliers.

Mr. Dan Albas: Right.

You want us to change the bill to improve the situation and reduce the tax to 50 per cent. Is that it?

Ms. Norma Kozhaya: It's not the tax, it's...

[English]

Mr. Dan Albas: You mean change the usage at 50%. Pardon me.

[Translation]

Ms. Norma Kozhaya: That's right.

[English]

Mr. Dan Albas: Perfect.

I'll just quickly zip over to the Canadian Federation of Independent Business.

Ms. Pohlmann, would you agree with the Quebec council of employers on their point about changing the personal use category on the luxury tax? Would you also share some of the same concerns about the cash rebates system the government proposes?

Ms. Corinne Pohlmann: I couldn't really comment as much on that.

On the luxury tax side of the equation, where we heard the most concern from a small business perspective was on the boat and marina side, and the impacts on the boats that were going to be sold. I know that the threshold for buying boats was increased from \$100,000 to \$250,000, so it's a bit different from airlines and luxury cars. I think our colleagues at the Conseil du patronat were talking more about the airlines. I don't know that we have a clear position on those particular pieces of the luxury tax, because it hasn't necessarily affected our members on the airline side the same way. It's been more on the boat side.

Mr. Dan Albas: While I have you here, then, we've had the cider association, craft brewers and the mead association of Quebec all come forward and say that they're having issues with the July 1 drop-dead date of the exemption being removed.

Would your organization favour a six-month reprieve before this new one takes effect?

Ms. Corinne Pohlmann: Yes, we would.

Mr. Dan Albas: Do you think six months is adequate for industry to be able to at least make changes and get supplies in for bottling?

Ms. Corinne Pohlmann: It's a good question. I don't know, but I think we need to sort of give a little bit more time for adjustments to be made.

Mr. Dan Albas: Great.

How much time do I have?

The Chair: You have 30 seconds.

Mr. Dan Albas: In regard to the EI suggestion that you had for small businesses, could you just reiterate what part of the bill we would need to change, or is that just a general ask of the CFIB in general?

• (1555)

Ms. Corinne Pohlmann: That would be a general ask from the CFIB, only because we saw that EI rates are going to be slated to go up in January after three years, and we believe we need to think about something that we can do, given that CPP rates are also going to be increasing at that point in time. We're more generally asking the government to consider some policies that may help offset some of those increased costs that are coming.

Mr. Dan Albas: Thank you.

The Chair: Thank you, MP Albas.

Now we'll have questions from the Liberals. MP MacDonald, you have six minutes.

Mr. Heath MacDonald (Malpeque, Lib.): This question will go to Ms. Pohlmann from the CFIB. I was a former minister in Prince Edward Island and received your Golden Scissors Award. I appreciated it at the time. It's still in my office.

What I wanted to talk to you about is.... I was reviewing your website. At what point do you think it's relevant.... Based on everything that's happening in the country and your concerns regarding

the budget, would you start to retract the benefits to small businesses?

I know you're in advocacy, but at some point, looking at the broader strokes, I'm wondering, when do you decide to continue pursuing additional benefits for small businesses?

Ms. Corinne Pohlmann: I suspect you're talking about the COVID benefits. Is that correct?

Mr. Heath MacDonald: That's correct.

Ms. Corinne Pohlmann: We're not opposed to those benefits now ending. We know they ended about a week and a half ago. The piece that we're still very concerned about, however, is the amount of debt that is still being held by small businesses across the country. It's pandemic-related debt, I should say. It was all accumulated in the pandemic through no fault of their own, for the most part, so what are we going to do to help them deal with that debt?

We're already seeing bankruptcy statistics starting to go up. We had a release yesterday from Statistics Canada that showed bankruptcies are starting to increase. They're back to what they were before the pandemic, if not higher. This is only going to continue, and if we want to stop some of the haemorrhaging, we're going to have to think about ways to help those small businesses deal with their debt.

We're not pushing for an extension of the wage subsidy or the rent subsidies anymore. We know that they have to come to an end. Many of our members are open to their ending now, but we still have to deal with the fact that there are businesses struggling with the debt. That's where we'd like to see consideration around things like increasing a forgivable portion of the CEBA loan a bit more, and maybe adding a forgivable portion to the HASCAP. Maybe it's just for those hardest-hit sectors that were shut down for more than x number of days, 300 or 400 days during the pandemic.

There still has to be some recognition that this isn't over for a lot of small businesses.

Mr. Heath MacDonald: The service sector is what you're talking about, to some extent.

Ms. Corinne Pohlmann: Correct.

Mr. Heath MacDonald: The federal government covered approximately 92%, if not more in some provinces, of the cost to COVID recovery. Overall, more money was spent on small businesses—approximately \$176 billion to \$200 billion—compared to individuals. There was some money left on the table by provinces, including my own province and New Brunswick.

What advocacy are you doing within the provincial governments to ask for support relevant to some of the issues that you're having right now?

Ms. Corinne Pohlmann: We have been advocating strongly at the provincial level to do more. We feel the provinces didn't step up for the very reasons you just talked about. They had money that was given to them and provided to help with COVID-related issues.

We have been actively pursuing provinces over the course of the last couple of years and as recently as a few months ago to suggest to them that as the level of government that made the decisions of when businesses had to be restricted or not, they had a responsibility as well to help those businesses through that. We will continue to try to do that and tell them about the debt loads that our members are facing, as well as the cost increases that they're facing, and encourage them to do their part.

Mr. Heath MacDonald: How many small businesses do you represent? Is it around 100,000? Is that what you said at the beginning?

Ms. Corinne Pohlmann: Yes. We were at 110,000 pre-pandemic. It went down to 95,000 during the pandemic. We're hoping to rebuild.

Mr. Heath MacDonald: I know insolvencies at year's end in 2020 decreased from 2019, which was ironic. You're saying now that they're going back up to pre-pandemic levels, to where they were in 2019.

Ms. Corinne Pohlmann: Apparently it's even higher. I think we're at the beginning of that cliff we talked about. Now that the supports are gone and debt is high, I suspect we're going to start seeing more and more closures over the course of the next few months.

The Chair: You have 90 seconds.

Mr. Heath MacDonald: There was something else on your website. You had concerns with the deficit and debt relevant to the government.

• (1600)

Ms. Corinne Pohlmann: That's right.

Mr. Heath MacDonald: It's interesting that we're talking about providing more supports, but you're talking about concerns about the debt. Can you give me an overview of your thoughts on that?

Ms. Corinne Pohlmann: Sure.

Essentially what we're looking for is a plan. We not suggesting that the deficit needs to be eliminated immediately. We know that's not realistic, given everything that's happened, but to have more of a plan that looks at how we're going to actually eliminate the deficit over time and start bringing down the debt—that's what we're looking for. It's more of a plan that we would like to see the government put into place.

Mr. Heath MacDonald: I guess what I was referring to is asking for more money but being concerned with the debt. I guess it's kind of a “having your cake and eating it too” type of thing. I'm not trying to be facetious, but I think when I read your website, that stands out.

Ms. Corinne Pohlmann: But where does the money come from? It comes from the economy, but in order for the economy to continue to thrive, we have to make certain investments to make sure people can continue to build up the economy to where it needs to be. Small businesses are an absolutely integral part of our overall

economy in Canada, representing 50% of GDP. We're not going to save all of them, and we get that, but it's through no fault of their own that many of them are in the position that they're in.

Mr. Heath MacDonald: Thank you.

The Chair: Thank you, MP MacDonald.

Now we'll hear from the Bloc Québécois with MP Ste-Marie.

[*Translation*]

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

I'd like to welcome all the witnesses and thank them for being here and for their presentations.

My first questions will be for Mr. Blackburn from the Quebec Employers Council.

I agree entirely on all the points in your presentation. We have a major concern about this bill and the luxury items tax. The officials told us that no assessment of the financial repercussions of this tax had been done.

We are not opposed to the principle; we support it. However, we are increasingly realizing that applying this tax may have numerous harmful effects on the shipbuilding industry, for example. This tax will also have major repercussions for the aerospace sector.

The Parliamentary Secretary to the Deputy Prime Minister and Minister of Finance, Mr. Beech, sits on our committee and is well aware of this subject. He knows the problems this tax may cause for the aerospace sector. However, that seems to be less apparent for the Minister of Finance and her officials.

The officials were made aware of the problem of levying the tax on aircraft destined for export from the work done by the committee. The tax levied may amount to a half billion dollars in cash flow per year. The officials tell us that since the tax will be implemented in a few months, we can pass the bill in its present form and a solution will be found sooner or later.

How do you react to that? Ms. Kozhaya, you recently spoke with my colleague Alain Therrien about this.

The officials told us that the 90 per cent threshold would depend on the Canada Revenue Agency's interpretation. We don't really know what that means, and we are only being presented with fuzzy information. It seems that the government has given no instructions for the problem to be solved.

Can you remind us of the importance of dealing with these two problems in the bill?

Mr. Karl Blackburn: Once again, I can start the answer off and ask Ms. Kozhaya to add to it.

However, what you are saying, sir, is of the utmost concern to me. When I hear officials say we will see, we will adapt and we will adjust once the bill has passed, that ultimately means that we're going to get hit and when we are on our knees and hurting badly, they will listen to us. After all that, their answer will be that nothing can be changed, because that's how the law is written. So I think we have to take the opportunity we have right now.

Parliament's reasoning is basically good. Taxing these luxury items may make sense. In the implementation rules, however, we see that some things may be harder to apply for the Canadian industry. I go back to the example that Ms. Kozhaya gave earlier, talking about manufacturing an airplane. For example, the manufacturer has manufactured its plane, but it sends it to subcontractors to have the interior finished with luxury wood from Quebec, with leather products from Quebec or Canada, and with products from other important economic sectors in Canada. It takes several months to complete. Even if the plane hasn't yet been delivered, the aircraft manufacturer will have had to pay the tax. That is where a major cash flow challenge arises.

Expecting adjustments after the harm is done seems to me to be underestimating the consequences. We work from the same premises concerning the usage rate. Let's not wait to see whether there will be a lower usage rate. If a 50 per cent rate is already used in other sectors, why not use the same rate as in those other sectors and not put the aerospace industry, for example, which has been hard hit, at a disadvantage?

I listened to my colleague from the Canadian Federation of Independent Business answer the previous member regarding the extension of certain measures. I would say that striking a balance, having a debt reduction plan and asking for supplementary measures for certain sectors, seems to me to be going off the track very quickly.

The position taken by the Quebec Employers Council is this: the hardest hit sectors, such as aerospace, tourism, food services or accommodation, should be able to count on government measures up to the end of 2022, to get them through another economic cycle. Those sectors are directly connected with fluctuations in economic cycles. Giving them access to an economic cycle that promises to be very good this summer will get them to the end of the year. As well, being able to count on programs that help them get through this cycle seems logical to us. It has nothing to do with the concerns people in Canadian businesses have about the debt that is being created by the federal government.

Three or four years ago, when it came time to spend \$1 billion, people were very concerned. They undertook all sorts of consultations before doing it. Now, whether it's \$5 billion or \$10 billion or \$20 billion, it doesn't seem to be a big deal. In fact, however, somebody will have to pay for it.

I join with the Canadian Federation of Independent Business in saying that we will be capable of generating growth, prosperity and collective wealth if we have a strong economy. So let's support that economy so that it is even stronger and let's choose certain sectors that may be less deserving of getting help now and focus our efforts and go after the most we can get in terms of economic growth. It's a win-win all round.

• (1605)

Mr. Gabriel Ste-Marie: Thank you.

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

[English]

Now we'll hear from the NDP. MP Blaikie, you have six minutes.

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

Monsieur Laliberté, I was hoping we could come back to the question of the EI appeal board reforms. I believe you made mention of the system that existed before the Conservative reforms.

I wonder if you could talk about the three stages here: the pre-Conservative reforms, what the case was after the Conservative reforms and what the government appears to be doing in the budget implementation act.

Mr. Pierre Laliberté: Okay. This is a long history, but in short, we had, from the 1940s to 2012, a system that was referred to as a board of referees. Basically, we had, in most communities in Canada, referees who were selected from business and labour, and also named by the government, to oversee appeal processes locally. This is a system that actually was light-footed. It wasn't particularly expensive, because people were being paid per diems per cause per claim, essentially per cause heard. Basically, it did the job. Here and there, there might have been complaints about an individual or something, but for the most part, when you have a system that works for 70 years....

In 2012, there was an unfortunate decision to do away with that. I don't want to remove the responsibility from whoever was there, but I do think there is a certain mentality in the bureaucracy, if I may say so, that processes can be centralized and made more efficient. I think that there was a great deal of that at work at the time, the belief that somehow we could have cost savings by just pooling the OAS, CPP and EI appeals processes together.

As it turns out, it was not that good an idea. A few years later we had to revisit this because there were problems with it, and I think that there was a lot of rose-coloured thinking when it was all put together.

The SST at the time that this reform was being discussed with constituents out there, business and labour groups, was not delivering. It was wholly inefficient and costly, as I said. The government actually did the right thing and basically got a third party to look at it. It bore out, as I said, what we were hearing on the ground, and then they proceeded to have a working group to redesign something that was pretty darn close to what the board of referees' vision was like. As I said, this was announced with some fanfare back in August of 2019, and for some reason, that vision got translated differently along the way.

Now what we have is not a structure that reports to the commission: It reports to the president of the commission, and that's a big difference. That means it reports to the deputy minister of ESDC. There's nothing wrong with the person, but that's not the same thing. That's not what people were aiming at.

One of the problems we've had with the SST as a commission is the reporting. When the SST started getting dysfunctional, it was impossible for us at the commission to get the proper accountability because they were independent. Now what we're doing is exactly the same thing. We're recreating an independent structure that doesn't report to the commission. To us, this does not reflect the stakeholders and the discussions we've had with the government.

Then there is this notion that somehow we're going to have full-time members who will be transferred from the Social Security Tribunal and tagged on with some part-time members on per diems to do.... It's not going to work. It's going to create an acrimonious culture. You're going to have people who are full-time with full benefits, full everything, and then part-timers, who will feel constantly disadvantaged. It's not a good way to start a new slate.

• (1610)

One thing that is absent and is absolutely crucial in all of this—this was really what we heard the most over the years—is the local presence, having members in at the regional level, the local level, who can hear cases in person so that it's not just a theoretical possibility to be heard in person, but it's actual. On this, the bill is absolutely silent, and it's key.

This means that essentially we're going to create a new management structure that will have quite a bit of latitude as to how this thing will be set up in the end. We think that's a mistake. There should be a requirement in there that there is regional representation—reasonable, of course—from all communities across the country so that people can be heard by peers from local communities across the country.

I'll stop here.

The Chair: Thank you, Monsieur Laliberté. MP Blaikie, that's the time.

Members, we are moving now into our second round. We'll commence with the Conservatives.

MP Stewart, you have the floor for five minutes.

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

My questions are for the Canadian Federation of Independent Business. I'm perfectly fine with either of the two, whether it's the senior vice-president or the vice-president, to answer, and I thank you for being here today.

With respect to the luxury tax, are you concerned that the highly complex nature of the tax will add to the already significant compliance costs that your members are facing?

Ms. Corinne Pohlmann: Certainly. Any time you introduce a new tax, it's going to have that impact. The group that we heard the most from when it was first introduced was, as I said earlier, the boating industry. Marinas, for example, which are often small companies, were very worried about the impact this would have on their businesses.

You're right. The burden that's associated with complying with these taxes is always an issue. When we look at regulatory burdens on small businesses and ask about the most burdensome regulations that they face, tax issues come up as numbers one, two and three. There's no doubt in my mind that this would no different. For those that have to pay, it will likely—especially if you're a small company—have a significant impact.

Yes, it would likely have a fairly significant impact.

• (1615)

Mr. Jake Stewart: Thank you, Ms. Pohlmann.

In Miramichi—Grand Lake, I have a number of small marinas where I live. Near the Miramichi Bay area there are a lot of different marinas and small boating industries locally. I've definitely had people reach out to me and share their concerns on the tax.

Taking into consideration the added compliance costs associated with the luxury tax, the hit to sales revenue through buyers possibly reconsidering purchases because of the added taxes, and then adding in significantly high fuel costs and COVID-related debt carrying costs, do you feel that the budget should have done more, and through what means? You can elaborate on that freely.

Ms. Corinne Pohlmann: Certainly. We did ask our members right after the budget, in trying to explain to them some of the highlights of it, what they thought of it and whether they thought it was a budget that was good for small business. Unfortunately, very few felt it was a budget that was good for small business. I think a few folks obviously saw some advantages in things like the changes to the small business tax rate and taxable capital limit. Again, it's a very narrow group that would benefit, but it's still a good thing going forward.

What was missing, of course, were initiatives to deal with the debt. What was missing, of course, was how to at least not increase the costs of doing business. Unfortunately, the increases coming in CPP, employment insurance and carbon taxes for the foreseeable future are definitely not going to help. Again, we'd like to see some kind of recognition of the costs that these types of taxes have on smaller companies. The payroll taxes in particular can be really difficult to absorb.

That would definitely be another area where we would like to have seen a bit more recognition on how to help smaller companies through that. The shortage of labour is just another thing added to the mix of challenges that they're facing. Certainly the labour mobility deduction was a very good initiative. Also, the temporary foreign worker program changes that happened just prior to the budget were also a very good initiative. That's going to help many businesses.

There were pieces that were quite helpful, but overall, in the broader picture, I think there's still more that we thought could be done. We recognize that a lot has been done for smaller companies, but unfortunately, as I said earlier, only 40% are back to normal revenues. A lot of them are still struggling to get back on their feet. We need just a little bit more recognition, and maybe not do any more harm and help them get one more step back to recovery.

Mr. Jake Stewart: I appreciate that, Ms. Pohlmann. I do find that the government recently has been talking about having everyone's back and now they're deeply concerned with affordability, but we're not seeing it in any measures they're putting forth.

I appreciate your answers here today. Thank you.

The Chair: Thank you, MP Stewart.

We're moving to the Liberals, with five minutes for MP Chatel.

[*Translation*]

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

I'd like to thank all the witnesses who are with us today. First, I have a question for Mr. Blackburn and Ms. Kozhaya from the Quebec Employers Council.

The pandemic hasn't been easy for anyone. We have had to spend a lot of money. I am still reassured, however, because Canada has the best net debt to GDP ratio in the G7 countries. We also rank very high among the members of the OECD, the Organization for Economic Cooperation and Development.

I would like to know your reaction to our budget, which is meant to be fiscally prudent, but which also contains investments in a green transition and innovation, as you pointed out. Are we on the right track?

• (1620)

Mr. Karl Blackburn: First, I was rude earlier, because I didn't leave time for my colleague to speak. So I'm simply going to tell you that we had very positive reactions when the budget was released. I'm now going to let my colleague, Ms. Kozhaya, give you more information, out of fairness.

Mrs. Sophie Chatel: Thank you.

Ms. Norma Kozhaya: Thank you for your question.

The net debt to GDP ratio is favourable for Canada, true. However, the gross debt to GDP ratio has deteriorated further, and the gross debt is what we pay interest on. At present, we are expecting interest rates to rise, so we have to take a long-term view.

Yes, the government made investments to support the economy during the pandemic. The last budget contained a lot of measures for the green transition, that we welcomed and that we believe are necessary. We have to combine fighting climate change and business competitiveness and use them to create new opportunities. However, we think there are also other programs that could be expensive over time, when interest rates are going to rise. So most importantly, we have to take a long-term view.

There are other things that worry us. For example, at some point, is the tax burden going to have to be increased? We think that we don't have a lot of leeway in this regard, especially for businesses, if we look at what is being done elsewhere. That's why we believe we have to continue to be concerned about controlling the debt in the long term. That is part of the sound management of public finances for all orders of government. We also acknowledge the need to make investments to stimulate the economy when it's necessary and, most importantly, to make the green transition. In addition, we are facing demographic aging everywhere in Canada, and even more so in Quebec. That challenge will bring other needs with it.

All these considerations have to be kept in mind. Canada does have a good track record in some respects, but it also has challenges to meet.

Mrs. Sophie Chatel: Thank you. I would just like to clarify one point.

The economists I worked with at the OECD always told me that in Canada's case, we had to go by the net debt, because our pension funds are capitalized, whereas the ones in the European countries aren't. It's a gross debt. Since we capitalize them, they have to be deducted from GDP. I respect the economists who gave me good advice on that point. In that case, we have a very good track record, but we can't ignore the efforts we will have to make.

On the subject of the transition to a green, innovative economy, my colleagues at the OECD, and even at the United Nations, often say that the next decade is the decade of action, and that if we don't invest in key sectors, we will no longer be adapted to the economy of tomorrow.

Can you tell us about that, Mr. Blackburn?

Mr. Karl Blackburn: I'm going to ask my colleague, Ms. Kozhaya, to start the answer off, again, and I will add to it if there is still time.

Mrs. Sophie Chatel: Thank you.

Ms. Norma Kozhaya: Absolutely. In fact, the measures that appeared in the last budget showed a desire to develop supply chains around the sectors of electrification, batteries, and critical minerals. Those are things that are important for the next decade and maybe even for the next decades. They are connected with this green transition, which is desirable and enables us to achieve environmental, economic and social objectives at the same time. We think that in the efforts to make a just transition, we also have to pay attention to workers and businesses.

I don't know whether that was the meaning of your question, but those are actually necessary investments that involve both the public sector and the private sector. The private sector has to contribute to it, and the public sector has to support it. There is also the Canada growth fund. We believe this collaboration between the public sector and the private sector, the matching funds, is an important measure.

Mrs. Sophie Chatel: Thank you.

The Chair: Thank you, Ms. Chatel.

[English]

Now we're moving to the Bloc and MP Ste-Marie for two and a half minutes.

• (1625)

[Translation]

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

I'm going to address my questions to Mr. Guénette.

Just before doing that, I'd just like to point out that Mr. Giroux, the parliamentary budget officer, does studies every year and shows us that the federal government has more leeway than the provinces. Because transfers have been cut in recent years, we have to be worried about the problem that the debt load represents in the provinces, which Mr. Giroux tells us will continue to grow.

Mr. Guénette, how does Bill C-19 meet your members' needs and respond to their requests?

If not, what is missing from Bill C-19 that should be in it, in particular regarding the labour shortage?

Mr. Jasmin Guénette (Vice-President, National Affairs, Canadian Federation of Independent Business): Thank you for your question, Mr. Ste-Marie.

I'm going to reiterate the comments that were made at the beginning of the presentation by my colleague, Ms. Pohlmann.

One of the things we would have liked to see in the budget is the effort to reduce operating costs for small and medium-sized businesses in Quebec and Canada. There has been no announcement about lightening their tax burden. We would have liked to see some announcements about this. There has also been no announcement concerning lightening the debt load that small businesses have had to assume in order to deal with the COVID-19 pandemic.

I want to point out that a very large number of small businesses are in a tough situation, not because they have made bad business

or investment choices, but because they have had to deal with mandated restrictions or closings, for example.

The average debt in Canada is \$160,000. We would have liked to see measures to lighten small businesses' debt. That is why one thing we are recommending is to increase the grant portion of the Canada Emergency Business Account to 50 per cent. That is also why we are asking that the repayment time for the loan that was received in order to be entitled to the grant portion of the Canada Emergency Business Account be pushed back another year, to give small businesses more leeway so they can find more cash flow to repay these debts.

I would say that these are really the two missing pieces in this budget, for small businesses. There has been no effort made in terms of operating expenses or debt reduction.

Mr. Gabriel Ste-Marie: Thank you.

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

[English]

Now we'll go to the NDP and MP Blaikie for two and a half minutes.

Mr. Daniel Blaikie: Ms. Pohlmann, I know that you've already mentioned the Canada emergency business account loans and the need for a bit of an extension on the payment period, and then, I think, you talked also about extending or expanding the forgivable portion of those loans. I wonder if you might share with the committee why you think that's important and what difference it would make, and to whom.

Ms. Corinne Pohlmann: The Canada emergency business account loans were probably most used by small companies. Essentially, they were only targeting smaller companies. They could access them, and more than 900,000 did so. As a result, as we've learned, the debt that's been accumulated by small businesses has been quite dramatic. In sectors such as hospitality and tourism and arts and recreation, it's well over \$225,000.

We're trying to figure out ways in which we can help them deal with some of that debt. Especially in hospitality, some of our members have told us that it's going to take them over a decade to be able to pay back that type of debt, if they ever can. Anything we can do to help with that would be good.

Of course, the Canada emergency business account loan was up to \$60,000. Right now, \$20,000 of that will be forgivable if you repay it before the end of 2023. Perhaps we could move that up to at least \$30,000, or half of that, so they don't have to worry about paying back \$40,000, maybe only paying back \$30,000. Any little thing will help in terms of dealing with the debt they have. Extending it by one more year to pay will be good as well, because obviously by the end of next year some of them are still going to struggle to pay it back, especially in those hard-hit sectors.

We would encourage government to think about that as we get closer to the end of this year. Maybe we could have it extended to the end of 2024 for repayment, giving them just a bit more time to get their feet under them and get their businesses to recover. Hopefully, later this year or early next year we'll be closer to where we were pre-pandemic.

• (1630)

Mr. Daniel Blaikie: Do you have a sense at all of what extending the repayment deadline or increasing the amount of the loan that is forgivable is likely to mean for government in terms of how much of that money it actually gets back? Do you have a sense of how many businesses that took a CEBA loan are potentially facing bankruptcy if they don't see some wiggle room on that financial obligation?

Ms. Corinne Pohlmann: Yes. As I mentioned, about two-thirds have pandemic debt. That will vary, obviously. We also know that one in five or one in six are looking to close their doors. Close to 16% to 18% of businesses are in that sort of category. It's probably somewhere in the middle. It's definitely not going to be all two-thirds. I think many of them think that if things can return and they can get closer to what they were doing prior to the pandemic, they can probably pay it back within a year or two. They're probably going to be okay. It's really that group who were closed for...

If you were a restaurant in Toronto, you were closed for up to 350 days throughout the pandemic. That's a lot of time you were dormant. You still had to pay rent. You still had to try to figure out what to do with your utilities and all of that. The subsidies were great, but they didn't cover everything. Those debts still have to get paid off.

Mr. Daniel Blaikie: Thank you.

The Chair: Thank you, MP Blaikie.

We will now hear from the Conservatives. MP Fast, you have five minutes.

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

My first question is for you, Mr. Laliberté. I just want clarification. You're looking to effectively sever division 32 from the BIA and have it considered separately, after further consultation with the government. Is that correct?

Mr. Pierre Laliberté: Correct.

Hon. Ed Fast: All right. Thank you.

Ms. Pohlmann, it's nice to see you again. By the way, I was pleased to hear someone speaking about debt and deficits and the need for a plan to return to balanced budgets. Is it your view that this budget fails to set out a firm plan to do just that?

Ms. Corinne Pohlmann: I'm going to turn it over to my colleague Jasmin.

Would you like to answer that question, Jasmin?

Mr. Jasmin Guénette: Sure.

Thank you for your question. Indeed, we would like to see the federal government setting a clear timeline and a clear plan on what they are planning to do with regard to returning to a balanced budget.

Everyone understands the investment that was necessary to be made during the pandemic to support small businesses. Having said that, throughout the pandemic we regularly surveyed our members. Their top concern related to the pandemic was on the economic impact of the pandemic. Many of our members have said that one way to mitigate the impact of the pandemic is for the federal government to lay out a plan on how they are looking ahead to try to get back to a balanced budget in the near future.

As my colleague Corinne mentioned earlier, the timeline is on the longer side. It's not going to happen next year.

Hon. Ed Fast: I'm hearing a "no" there: No, this budget does not contain a firm date on which our finances will return to balance.

I want to go to Ms. Pohlmann again.

I want to ask you about the new tax on planes, trains and automobiles. Did the government ever reach out to your organization to ask you about the impact that this new tax would have on the affected industries?

Ms. Corinne Pohlmann: Not directly, though we did provide input into the consultations that took place on the luxury tax over the course of the last couple of years.

Hon. Ed Fast: Has your organization done any impact assessment on what this will mean for, say, the boat manufacturing industry, the manufacturers that build planes? Do you have any idea of what the impact will be on them?

Ms. Corinne Pohlmann: We don't have that assessment, no.

Hon. Ed Fast: Did the government do any assessment like that, that you know of?

Ms. Corinne Pohlmann: Not that I know of, but I defer to our colleagues at the Conseil du patronat to see if they maybe know more than I do. We don't represent the aerospace sector, so I couldn't speak to that group.

• (1635)

Hon. Ed Fast: You mentioned that the budget implementation act doesn't in fact do what was promised in the budget, which is to raise the taxable capital limit. Does this mean the higher limit won't be available in 2022 to those businesses that might have qualified?

Ms. Corinne Pohlmann: That's the question that I have. I'm assuming no, because CRA does not tend to administer those taxes that are not yet passed in legislation. I'm assuming that it will not be at this point.

I suppose if there's another act coming and it's in there before the end of the year, it will probably still apply to the 2022 tax year. We are certainly encouraging them to do that.

Hon. Ed Fast: How many small businesses would benefit from this promised tax change?

Ms. Corinne Pohlmann: It wouldn't be a massive number, but there's definitely a significant proportion. I can't give you an exact number. Good examples are farm implement dealers, and sometimes car dealerships that are smaller in scale but have lots of inventory worth a lot of money, although they themselves, in their revenues, only make \$300,000 to \$400,000 a year.

There is a significant proportion that we hear from every year. The agriculture sector is another one that this tends to have a crucial impact on. I can tell you that there are certain sectors out there, and businesses, that are waiting for this benefit, because it will be a significant help for them.

Hon. Ed Fast: Thank you.

The Chair: Thank you, and thank you, MP Fast.

Now, moving to the Liberals, we have MP Baker for five minutes.

[*Translation*]

Mr. Yvan Baker (Etobicoke Centre, Lib.): Thank you, Mr. Chair.

I'm going to start by asking the representatives of the Quebec Employers Council my questions.

What will the repercussions be for your council and companies in Quebec of expanding eligibility for tax relief for small businesses?

Ms. Norma Kozhaya: That is certainly good news. Clearly, tax relief for businesses is welcome. It will also encourage them to grow, because sometimes going from being a small business to being a big business comes with tax and regulatory repercussions that can be onerous. I don't have any precise figures, but plainly it is a welcome measure.

Mr. Yvan Baker: Right, thank you.

This budget creates the Canada growth fund, which will have a lever effect on private capital, with the aim of increasing Canada's economic productivity.

What is your organization's opinion about the Canada growth fund?

Ms. Norma Kozhaya: As I said, the Canada growth fund falls within the broad outline of what we had asked for, for there to be some sort of matching between public and private funds. Obviously, at this stage, it's a bit difficult to tell you more. We are in the process of consulting our members, because we don't have a lot of details, either about that fund or about the innovation agency, but the details should come out later in the fall. Experts are currently being consulted.

Certainly there has to be flexibility and openness to all businesses. When we talk about the green transition, all businesses can contribute to reducing their carbon footprint. So I believe they can all be given guidance and support and perhaps even benefit from this fund.

We also have to see how this fund is going to fit in with the other measures that already exist, whether with the ministère de l'Économie et de l'Innovation or the ministère des Finances in Quebec. This fund is a worthwhile addition. As I said earlier, we would

also like to look elsewhere to see, in concrete terms, what would be more effective, but plainly it's one more welcome tool.

According to the OECD, the Organization for Economic Cooperation and Development, Canada's prospects for economic growth for the next decade are not among the best. So if this tool makes it possible to reverse the trend, that is, to improve our productivity, which is an issue at present, it is plainly a very much appreciated tool.

● (1640)

Mr. Yvan Baker: Thank you.

[*English*]

I'd like to switch to the Canadian Federation of Independent Business.

Mr. Chair, how much time do I have? Is it about 90 seconds?

The Chair: That's correct. You have about 90 seconds.

Mr. Yvan Baker: We announced changes to the temporary foreign worker program to support small businesses, particularly those with a higher unemployment rate. I'm wondering if you could comment on what this will mean for your members.

Ms. Corinne Pohlmann: The most recent changes to the temporary foreign worker program are very welcome for our members. When we asked our members how many have used the temporary foreign worker program, it was only about 16%. However, those who used it found it to be super-helpful in dealing with the shortage of labour.

There are sectors that are particularly hard hit by the shortage of labour and that have had a hard time using the temporary foreign worker program. These changes will allow them to better access and use the program, even if it's only on a temporary basis. We think it's going to be very good for those businesses—especially in hospitality and that kind of thing—that have had a harder time accessing the program in the past. They will be able to access this program to help them get back on their feet, post-COVID.

Mr. Yvan Baker: Thank you very much.

The Chair: Thank you, MP Baker.

Members and witnesses, we are moving to our third round of questions. We'll start with the Conservatives.

MP Chambers, you have five minutes.

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

Thank you to our witnesses for appearing here today on short notice. We appreciate their flexibility with schedules. It's always great to have the input of our stakeholders.

I want to pick up with the Canadian Federation of Independent Business.

We hear a lot from the government about carbon tax rebates and how families are compensated for expenses related to the carbon tax. They're not the only ones paying for goods when the carbon tax is applied, whether that's on fuel itself—which is, obviously, very direct—or indirectly on other goods. The Bank of Canada has indicated it is responsible for at least half a percentage point of inflation, and that's before the most recent increase.

Businesses don't have a rebate on carbon tax. Can you talk about how your members experience some of those costs?

Ms. Corinne Pohlmann: Jasmin, do you want to take this question?

Mr. Jasmin Gu nette: I can take the first crack at it, and perhaps you want to add something afterward, Corinne.

There are a couple of things on the carbon tax. First, we saw on April 1 another increase in that tax, which is adding costs to many small businesses, especially those in agriculture. We've been saying for a couple of years now that the current carbon tax system is unfair to small business because there is no rebate system in place that is working for small businesses. They pay based on some estimate that was done in the past. They pay about half of the carbon tax, but they only receive about 8% of the rebate that was distributed.

We're calling on the federal government to make the carbon tax fairer for small businesses. We're also worried that many businesses that were impacted by the pandemic, and others, will struggle to pay the additional cost that the carbon tax will represent, and even more so in the next couple of years, when the tax will reach more than \$100, and even up to potentially \$170 a tonne in seven or eight years.

This is really a fairness issue. Hopefully there will be a program implemented that will allow businesses to get more of their money back and change the unfair system that is currently in place.

• (1645)

Mr. Adam Chambers: Thank you. I appreciate that answer.

You brought up agriculture. I certainly hear from farmers in my riding. They benefit from a deduction on the carbon levy with respect to diesel and regular gas, but when it comes to natural gas—which, by the way, is a lower-emitting fuel than regular fuel and diesel—the only offer from the government is a rebate in which they get about 20¢ on the dollar. In fact, I had a farmer in a neighbouring riding send me a bill showing \$13,000 in carbon tax just for one month with respect to natural gas.

I'm not sure where the government thinks this money is coming from. It's from the pockets of a farmer, or not hiring an additional person. Most farmers are price-takers, but you also think about the upward pressure on prices and goods that we see. This cost ends up filtering through the system.

I certainly appreciate your comments with respect to the carbon tax.

I know there are a couple of other files that the CFIB follows fairly closely, and I certainly appreciate your comments on the fiscal situation. One of the things that we did not see any language on in the budget was credit card processing fees. There was a commitment made in 2019. There was a budget commitment in 2021. We

haven't really heard much more on that. Can you give us an update on how things are going for your members in that area?

The Chair: Give a very short answer, please.

Ms. Corinne Pohlmann: That is definitely an area that still needs to be addressed. We're still pressing for this and hoping that the federal government will move forward with reductions in the credit card fees as promised in both this budget that just passed and also in the previous one. We're going to continue to keep them accountable to move forward with that, because that's an important measure that lots of small businesses are struggling with right now.

The Chair: Thank you, and thank you MP Chambers.

We are moving to the Liberals and MP Dzerowicz for five minutes.

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

I want to thank all those who are presenting before us today. We very much appreciate your being here.

On page 79 of the budget, we do have a note around "Reducing Credit Card Transaction Fees", so we do indicate that this issue continues to be important. We're going to continue to consult to figure out how we can get this right, and it continues to be a priority for us. I just happened to be on page 79, so when Mr. Chambers asked the question, I felt lucky that I was on that page.

My first question is actually to the Canadian Federation of Independent Business. One thing I've found in my almost seven years of being an MP is that lots of my small businesses have actually started applying for the Canada summer jobs program, and they've really benefited from it. How have you seen the response around that program within small businesses in Canada?

Ms. Corinne Pohlmann: Yes, it's definitely a program that is well used by small companies. We actually make an effort every January to remind them to apply, because it always feels like the application period is quite early and short and many people get upset when they miss it. It was a welcome addition when that was expanded throughout COVID as well, because, again, it's also a bit of a wage subsidy. It allows young people to get work experience and allows employers to get somebody on board whom they can hopefully groom and make into a full-time employee in the future.

It is a program that we like and support, and the changes that were made to expand it were welcome. I think the subsidy was also increased in terms of the wages for the students.

Ms. Julie Dzerowicz: Thanks for that.

Not a lot of positive things have come out of the COVID pandemic, but I will tell you that this expansion has actually educated a lot of small businesses around the program. It has helped more of them to adopt it. In turn, in my riding, it actually made a lot more students apply more locally. That's been a big win-win for small businesses as well as the Canada summer jobs program.

You've already answered the question around temporary foreign worker programs. What else can we do? There's been a big attempt by our current government to try to address the labour shortages, whether it's making some adjustments around immigration or bringing in a historic number of new immigrants. We also set up a job portal for those Ukrainians who are coming in. We've made changes to the temporary foreign worker program. We've increased the Canada summer jobs program. Now that the borders are open, we have a lot of youth coming in from other countries and filling some of those temporary jobs.

Those are all really great. What more do you think we need to do?

- (1650)

Ms. Corinne Pohlmann: There are a couple of things that could be done.

One is creating a pathway to permanent residency for temporary foreign workers. That certainly is not a straight path right now. There are some sort of convoluted paths that you can take through the provincial nominee programs, for example. Having something more formalized that allows for this would be one thing.

Another thing is from some research we've done on the shortage of labour. Automation is becoming a more successful approach that businesses have undertaken to deal with the shortage of labour, so finding ways to provide incentives to allow them to invest more in automation could help to bridge some of the gaps in some of those areas that may be more difficult to fill.

On automation, I think a lot of smaller companies may not realize that this could be an option that could help them. We had about a third of our members using it, and I think close to 60% or 70% said that it was successful in helping them actually bridge some of their shortage of labour. I think that's an area that we need to explore more to figure out how we can potentially help smaller businesses address their shortages in labour through automation.

Ms. Julie Dzerowicz: That's very helpful.

I was going to ask you about the Canada digital adoption program. It's not quite the same as what you're talking about in terms of automation, but it's in that same sort of vein of trying to help to transition a lot of our small businesses into having the skills, the technology and the capability to be able to succeed in the 21st century. How is that program going?

Ms. Corinne Pohlmann: I think it's a bit too early to tell right now. I'm a little worried that it's a bit convoluted in terms of the application process and getting advisers and all that kind of thing. We just had a call earlier today with some of the folks who oversee that to find out what the take-up is. I think that's still something that's coming. I think the idea of it is really good, but it's just whether or

not in execution it's going to be something that small businesses adopt.

There are two phases to the program, too, and the second phase is actually a little out of reach, because you have to have at least \$500,000 in revenue to access it, and most small businesses are under that. That's another area that can maybe be improved for the program, so maybe lower that, because that's the one that actually gets you into the loans to get more automation into your business. Little things like that could maybe be tweaked to potentially make it more attractive to smaller companies.

Ms. Julie Dzerowicz: That's very helpful. Thank you so much.

The Chair: Thank you, MP Dzerowicz.

Now, from the Bloc, we have MP Ste-Marie for two and a half minutes.

[*Translation*]

Mr. Gabriel Ste-Marie: My question is for the representatives of the Quebec Employers Council and the Canadian Federation of Independent Business.

If a representative of each organization could each answer my question in one minute, I would appreciate it.

There is a lot of uncertainty in the business world at present. There was the pandemic. Now there's inflation. Supply chains have slowed down because of lockdowns in Asia. As well, the war in Ukraine has led to an explosion of energy prices and raw materials. We also have climate change and the labour shortage causing uncertainty.

What are your members' main concerns in this regard?

How well are your members managing to weather this storm?

Mr. Karl Blackburn: I'm going to answer your question first.

The labour shortage is certainly at the top of our members' priorities. We have spoken about it briefly, but the labour shortage has major economic consequences. Some people argue that it's good news. But we are facing a serious economic crisis and that has serious economic repercussions for Canadian businesses.

One member out of two told us that they have had to turn down contracts because they lacked the workforce needed in order to perform them. Forty-three per cent of our members told us that they have had to postpone or cancel investment projects because they didn't have the workforce to carry them out.

In the short term, the government of Canada could have adopted incentives to enable experienced workers to stay in the labour market or return to it for two or three days a week, because a lot of people want to do that.

As one such measure, the government could raise the level of earnings where there is no tax payable and allow businesses that hire experienced workers not to have to pay into the pension plan or employment insurance program. Those are very concrete measures that would have quickly made it possible for hundreds of thousands of workers at all businesses in Canada to return to the labour market.

Mr. Gabriel Ste-Marie: I certainly agree.

Mr. Guénette, you can take your turn to speak.

Mr. Jasmin Guénette: These are the four priorities we have defined.

First, operating costs have to be reduced. As you said, there are the costs of energy and inputs, among other things.

Second, there are operating costs associated with the various taxes and other charges imposed by governments. This is an issue that has to be resolved.

Third, the problems associated with supply have to be solved so we can get goods and products on time.

Fourth, we have to find solutions to the labour shortage, which is significant.

So that, in a way, is the four big priorities we have defined to date. This isn't an easy situation for heads of companies, both in Quebec and everywhere in Canada, who have to deal with these issues.

• (1655)

Mr. Gabriel Ste-Marie: Thank you both.

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

[English]

Now we go to the NDP and MP Blaikie for two and a half minutes.

[Translation]

Mr. Daniel Blaikie: Regarding the labour shortage, I wonder to what extent workers' access to housing and access to child care services, for example, are part of the problem that has to be solved to ensure that our businesses have access to sufficient numbers of workers.

Mr. Jasmin Guénette: Do you want me to answer the question?

Who are you asking?

Mr. Daniel Blaikie: Mr. Guénette and Mr. Blackburn can both answer my question.

We can start with you, Mr. Guénette.

Mr. Jasmin Guénette: I'm going to repeat some things that have already been said.

A number of our recommendations are important for dealing with the labour shortage in Canada. We have already discussed it, but immigration is an important issue. We have to make sure that our businesses have access to more foreign workers, faster.

Better on-the-job training also has to be offered, because that would make it possible to keep existing employees longer. So solutions have to be found to improve the on-the-job training system, in particular by reducing employment insurance premiums.

Automation is another solution that has to be promoted. My colleague mentioned it earlier: some businesses want to promote automation.

Another solution would be to offer financial assistance for payroll taxes, which would give businesses more resources to hire staff, perhaps even to raise wages. This would put more money in entrepreneurs' pockets for finding the staff they need.

Incentives have to be put in place to encourage people to return to the labour market while giving them access to housing near their place of work. That is certainly another solution that could help to solve the labour shortage.

Announcements have been made about this. We will have to see, in detail, how it is going to look, but all these recommendations can certainly be part of the solution.

Mr. Daniel Blaikie: Thank you.

Mr. Blackburn, do you want a turn to add a comment?

Mr. Karl Blackburn: There are certainly two places where the federal government can act quickly to combat that shortage.

First, through the employment insurance program, which is currently being reviewed, we could create a continuing education program. People who have lost their job could get training and continue their education, and businesses that provide training could get tax incentives, which would encourage them to do more.

On the housing crisis or the infrastructure situation, it's a red herring in connection with the labour shortage, if I may put it that way, because everyone is affected by that situation.

If we want to have more services, have more childcare spaces, and have infrastructure that is worthy of the name, in all regions of Canada, we first have to be able to alleviate the labour shortage. Without vigorous measures that are necessary for our economy, unfortunately, we are going to suffer the consequences of this labour shortage.

I come back to the statistics I spoke briefly about before. There are investments not being made and contracts not being performed because we don't have the necessary workforce. So this is a problem.

The Chair: Thank you, Mr. Blackburn.

Mr. Daniel Blaikie: Thank you.

[*English*]

The Chair: Thank you, MP Blaikie.

Now we'll move to the Conservatives and MP Stewart for five minutes.

Mr. Jake Stewart: Thank you, Mr. Chair.

Again my questions are for the CFIB.

A media release on your website says, "April 1 saw an increase in carbon taxes, adding further unfairness to a tax regime that collects hundreds of millions from small businesses while returning next to nothing to them in rebates. Fuel and energy costs were viewed as the single biggest cost challenge facing small business and a process to return these desperately needed dollars to small businesses has yet to be created."

I see a quote here from Mr. Kelly, who said, "CFIB will continue to lobby for a rebate program available to all small firms paying federal carbon taxes."

Given that fuel and energy costs are huge cost challenges to Canadian small businesses, do you feel that it's time for the government to suspend the carbon taxes it's imposed on Canadian small businesses to offer relief, or at the very least offer an emergency rebate program to small firms being punished by the carbon tax? Please feel free to share your ideas on this matter.

Thank you.

• (1700)

Ms. Corinne Pohlmann: I'll take that first. Jasmin, you may want to add something afterwards.

Carbon taxes for small businesses, as Jasmin pointed out earlier, have been very unfair at the federal government level. As we've talked about, half of those revenues come from small businesses. A little bit of that is from what they call the "MUSH" sector—municipalities, universities, schools and hospitals. That's about 8% of that 50%. They are only supposed to get back only about 8% to 10%. However, that's never really been returned to small businesses. It's still sitting, as far as I understand, according to the Parliamentary Budget Officer, with government. It's been accumulating over the course of the last few years as the carbon tax has been collected.

Initially, that money was supposed to go into programs to help small businesses become more energy-efficient. However, only one program was ever introduced, and that was prior to the pandemic. The threshold to actually access the program required you to invest \$80,000 to get any money back. Most small businesses don't have \$80,000 to invest in energy-efficient equipment. We had been told that they were going to create a second program that would have a much lower threshold to allow access from smaller businesses. That never happened. COVID hit. Since then, there has been nothing available to small companies.

What needs to be done first and foremost with the federal carbon tax is to make it more fair for smaller companies. If they're investing 50% into the carbon tax, they need to get back at least that same amount.

Most of that money, as we know, is going to consumers in the form of a rebate. However, for small companies, the amounts that have accumulated, which are supposed to go back to them, are still sitting with government. That is the major crux of the problem for us.

Of course, the fact that it's going up every year is another cost issue. Many of them are going to have to figure out a way to absorb that increase. We had called for them to freeze the carbon tax this year, if for no other reason than to just allow them an opportunity to breathe before they had to figure out how they were going to absorb these costs into their particular companies. Of course, that didn't happen.

That's essentially where we'd like to see the carbon tax go in the future. It's to figure out a way to make it fairer for smaller companies and potentially to freeze it if we're still in the situation of struggling with debt and other costs.

Mr. Jake Stewart: Thank you, Ms. Pohlmann. I appreciate your response.

In my constituency in New Brunswick, some small businesses are really struggling with the carbon tax. The interesting thing about the carbon tax is that carbon emissions actually went up. Not a single climate change or crisis or whatever it's called on whatever day.... It's a different name each day. Nothing has actually transpired that would lead Canadians to believe it's working. Businesses are paying more. People are paying more at the pump. Everybody is paying more and everybody is hurting because of massive inflation during this pandemic. Now, of course, the government is blaming everything on a war that started about a month ago.

I appreciate your being here today. To reiterate and just to wrap up, you agree that the carbon tax is hurting small businesses in Canada and basically they're getting nothing in return. You've called for a rebate. There are other ideas out there, but that one, at least, would serve for the time being.

Can you elaborate at all on how much the added costs are to small businesses? Is there a percentage or a number that you can work with on that?

Ms. Corinne Pohlmann: It's hard to say, because it would depend on the sector you're in. Certain sectors are much more energy intensive, and therefore the impacts are much greater.

Jasmin, maybe you could speak a bit to the agriculture side and some of the impacts there. That's probably more where we have some anecdotal information. Jasmin, do you want to share—

Mr. Jake Stewart: I appreciate it. Thank you.

The Chair: Thank you, MP Stewart.

Now we have MP MacDonald for the Liberals for five minutes.

Mr. Heath MacDonald: Thank you, Mr. Chair.

I just want to go back. Ms. Pohlmann, you talked a little bit about innovation and the commercialization fund. We've often heard in here that we don't commercialize quickly enough, and when we do commercialize, the innovations don't necessarily stay within Canada, so I'm wondering if you could provide us with any insight or advice on further policies to help in that regard.

• (1705)

Ms. Corinne Pohlmann: I don't know if I was the one who said that. I think that was Norma. Perhaps you'd want to turn to her, because I'm not very familiar with that fund.

Mr. Heath MacDonald: Sure, if Norma is there....

[*Translation*]

Ms. Norma Kozhaya: Yes. Thank you.

Yes, I think it was me who had addressed that question, which is very important.

It's a problem because we don't commercialize our innovations in Canada. So we don't get all the benefits of our innovations. We hope that the innovation and investment agency will play a crucial role in this regard. The agency could support inventors and innovators, whether by creating tax incentives or by providing them with the necessary information for retaining intellectual property.

The budget also provides for a review of the research and development credits program. Those tax credits can be adapted to encourage more spending on commercialization. At present, the credits apply to the scientific research and experimental development program. However, many of our members tell us that spending on commercialization and market studies in connection with scientific research doesn't apply. The same is true for certain research done by subcontractors.

We also hope that the review of these credits will be an opportunity to provide better support for commercializing innovation.

[*English*]

Mr. Heath MacDonald: Thank you.

The other day we heard that universities received about \$10 billion. There was a discussion around commercialization and R and D within the universities. I just wanted to get your opinion on that funding, on what the universities do relative to research and then, on top of that, on the commercialization, which you just answered. How does that play out? Should that continue in that process, or is there a better way to do it?

[*Translation*]

Ms. Norma Kozhaya: Unfortunately, I can't give an answer to that question specifically.

However, I know that, in general, if we look at experience in other countries that have succeeded at this, like Germany and France, collaboration among researchers, universities and businesses is crucial.

In our jargon, we talk about two types of innovation: push and pull. The term "push" applies when we're talking about tax credits, while the term "pull" is when there is a problem we are trying to find a solution to, through collaboration between universities and the private sector. Experience in other countries shows that this produces good results.

[*English*]

Mr. Heath MacDonald: Thank you.

I want to go back to....

The Chair: You have one minute.

Mr. Heath MacDonald: I'm sorry.

I wanted to go back to the CFIB and ask about the different funding programs that are available to small businesses through the federal government. Which of those funding programs do you feel are not effective going forward?

Ms. Corinne Pohlmann: That's not an easy question, first of all because I may not be as familiar with some of those programs as others. If you're talking outside of the COVID sphere, I'm not really familiar with all of the programs because many of them are very specific to specific industries, specific types of innovation or whatever the case may be, so it's harder for me to be able to respond.

One that comes quickly to my mind, of course, is the Canada digital adoption program, which is out there right now. Of course, there are a few lending programs, such as the women entrepreneurship strategy and the Black entrepreneurship program, both of which, I think, are still in their early stages, so I'm not sure how well they are going.

Then the Small Business Financing Act is another one. It does loan guarantees through the banks for small businesses. It's going through some changes right now to improve the types of loans and the types of things they can get lending for, which I think will be a positive going forward.

I can't speak specifically, however. I'm still in "COVID head" and I can't remember what was before that. Those are what come to mind.

• (1710)

The Chair: Thank you. Thank you, MP MacDonald.

Thank you to the witnesses, who have been excellent. I know that you didn't have a lot of time to prepare, but the answers have been great for our committee. Our call gave you very little lead time.

Members, because we don't have enough time to go through a full, regular round, I'm looking at the time. We'll divide that time up by parties, so each party will have four minutes.

We'll start with the Conservatives. I have MP Albas up for the four minutes.

Mr. Dan Albas: Thank you. I appreciate that.

Mr. Laliberté, thank you for being here and presenting your view on what should happen. I know my colleague Mr. Fast asked you a few questions on it.

There is one thing that I'm wondering about it, though. What makes you think...? Even if we could get members at this committee to agree to separate that section and pull it aside, it doesn't necessarily put any onus on the government to go back to the drawing board and look at some of the conversations that you had with them originally.

If the government is of such a mind that they said, "You know what? We're doing it this way. We're set", what will giving them a pause by taking this out do? What will that do to change their behaviour? Would they not simply add it to a future bill?

Mr. Pierre Laliberté: Thank you for the question, but I'm not altogether sure how that would play out. Quite frankly, I think that the intent behind this reform was.... I don't think there was a problem. I think that there was a general agreement on what the problems to solve were and the vision of what should be created instead.

This was in 2019. We're in 2022. A lot has happened between then and now. I think the actual writing down of that vision does not correspond to what it was.

To answer a bit more directly, I feel like this is not a contentious issue. I think it's a matter of tweaking and going back to the original intent. This is what makes me confident that if we had this in committee, I think we would all agree on what needs to be done and avoid voting into law something that might be faulty for the reasons I've evoked.

Mr. Dan Albas: Ultimately, you'd like this to be taken out of the bill, but then have some sort of process whereby it can be resubmitted directly to committee to thresh it through—

Mr. Pierre Laliberté: Correct.

Mr. Dan Albas: —have hearings and then maybe propose it to the House of Commons.

That is within our ability to do as a committee. Is that what you would like in this case?

Mr. Pierre Laliberté: I think that it would be the right way to go and have the proper attention dedicated to it.

Mr. Dan Albas: I appreciate that.

I have limited time, so I am going to go back to the Quebec Council of Employers.

I am concerned, because we've seen production being moved to the United States. An example is Bombardier. I've heard today that this luxury tax being proposed by the Liberals may end up benefiting foreign manufacturers at the expense of Canadian industry.

Can you spell out to the committee and to Canadians exactly what you fear might happen if this bill passes without any amendments?

[*Translation*]

Ms. Norma Kozhaya: Yes, it would put the sector at a disadvantage, not just Bombardier, but also the whole value chain and ecosystem that exists around it, like the suppliers and other manufacturers.

Generally, when there is a new tax, the cost goes up, and that reduces demand.

Assuming that we agree that there will be this tax for personal use, and not for business use, we would have to make sure that there are no cash flow problems. As we said at the beginning, a business would not have access to tens of millions of dollars for several months while its competitors didn't have the same problem.

We also have to make sure that the definition of business use is not as narrow. We could also look to the United States, where there was a similar case, and learn from that experience.

• (1715)

[*English*]

Mr. Dan Albas: If you could supply that particular model in writing to the committee, a more favourable model in comparison to what's being suggested here, I'd appreciate it. Thank you.

[*Translation*]

Ms. Norma Kozhaya: With pleasure.

The Chair: Thank you.

[*English*]

Thank you, MP Albas.

Now we go to the Liberals and MP Chatel for four minutes, please.

[*Translation*]

Mrs. Sophie Chatel: Thank you.

I have a question to ask. How much time do I have, Mr. Chair?

[*English*]

I have two minutes, correct?

The Chair: You have four minutes.

Mrs. Sophie Chatel: It's four minutes. Good.

[*Translation*]

I am going to address the representatives of the Quebec Employers Council again.

Mr. Blackburn and Ms. Kozhaya, I'd like to know what your two or three or four recommendations are for ensuring that big businesses, but also medium-sized and small businesses, very particularly, are able to carve out a place for themselves in the digital economy and the green economy of tomorrow.

Mr. Karl Blackburn: I can make a start with a general answer, but I'll ask Ms. Kozhaya to complete it.

First, there would inevitably have to be access to more workers. Unfortunately, again, the labour shortage is a drag on investments and is slowing projects down. The owners and employers are the accountants, the people who provide the service, the people who do the delivery and do the buying. So it becomes very complicated to move to the next stage. Without vigorous measures to solve the labour shortage, the risk is that many opportunities will be missed in terms of economic growth.

To answer your question more precisely, I'm going to ask Ms. Kozhaya to talk to you about the measures in more detail.

Ms. Norma Kozhaya: Yes, the labour issue is a major problem, both for unskilled workers and for highly skilled workers. To ensure the ecological transition, there has to be a workforce that is trained in these fields.

Regarding measures to provide support in the ecological transition, we have to recognize that there are measures in the budget to encourage green investments and investments in low emission or carbon neutral technologies for vehicles. There is also strengthening of value chains around those sectors.

Another initiative we could consider relates to support measures. Often, a company can make an investment, but since operating costs for lower emission technologies are higher, there could be support measures in this connection. For smaller businesses, it's more or less the same thing.

As we said earlier, measures to assist with automation are needed. In Quebec, we have a tax credit for investment and innovation. We had asked for there to be an equivalent tax credit at the federal level too, to help businesses very briefly.

Mrs. Sophie Chatel: Thank you, Ms. Kozhaya.

I would now like to address Ms. Pohlmann and Mr. Guénette on the same point.

Mr. Jasmin Guénette: Can you repeat your question, please?

Mrs. Sophie Chatel: If you had four recommendations to make, to ensure that Canadian businesses could carve a place out for themselves in the digital and green economy of tomorrow, what would they be?

Mr. Jasmin Guénette: Approximately 70 per cent of the members we represent have businesses with about 12 to 15 employees. Our members have retail, construction, food services and accommodation businesses, among other types. Most of them are small businesses.

Regarding the green transition or energy transition, we have to make sure that this transition doesn't add to operating costs for a very large number of small businesses when they have just come through two extremely tough years. A very large number of businesses are having a lot of trouble generating the revenue that is

needed to have a viable business. Only 40 per cent of Canadian small businesses are seeing normal sales, while over 60 per cent of them have accumulated debts in connection with the COVID-19 pandemic.

I appreciate your question, and issues relating to the green transition, among other things, are very important for our society. However, our members' priority, at this point, is really everything involved in issues relating to operating expenses and the labour shortage. In fact, that is the perspective we are coming from in this presentation to you today.

• (1720)

Mrs. Sophie Chatel: Thank you.

The Chair: Thank you, Ms. Chatel.

[*English*]

We'll now go to the Bloc for the final questions of this session.

[*Translation*]

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

I'm going to start by making a comment to committee members in connection with Mr. Laliberté's testimony. I will then have a question for Terry Beech in his role as parliamentary secretary, and so as a representative of the government.

Thank you for being here, Mr. Laliberté.

Your points are extremely clear. I agree with you. I think division 32 has to be separated from Bill C-19 to be sure it can be studied properly.

If the government agreed to this proposal, that would be ideal. In fact, I'm going to ask Mr. Beech a question about that. Of course, the government might not accept it.

We have already asked that the Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities study that division.

We would need to make sure that we can hold the necessary consultations and examine all the amendments relating to it. If that committee isn't able to do that, the Standing Committee on Finance will have to take it on. I will then ask that the committee take the time needed to do a thorough study of division 32 in its entirety.

As the representative of the government, can Mr. Beech tell us now whether the government would be open to the idea of removing division 32 from Bill C-19 and making it a different bill?

If he doesn't have an answer to give us, can he consult his government colleagues and give us one?

[*English*]

The Chair: I'll inform MP Ste-Marie that we have not heard from HUMA yet.

I don't know if MP Beech, through the chair...

Mr. Terry Beech (Burnaby North—Seymour, Lib.): Thank you, Mr. Chair.

I'm happy to make comments, the first being that this isn't question time for the parliamentary secretary, but I appreciate Gabriel's asking.

The committee is an independent body able to make its own decisions for study. Since you're giving a heads-up, something like this will probably need more time for consideration than the eight minutes left in this meeting. It's probably something appropriate during clause-by-clause study.

Maybe I'll leave it at that and let Gabriel continue his questions.

[*Translation*]

The Chair: Thank you.

Mr. Gabriel Ste-Marie: I thank Mr. Beech for his response.

I'd like to make sure that when he can, he will tell us the government's position, that is, whether it would be prepared to remove division 32 from Bill C-19 and make it a different bill.

Thank you, Mr. Chair.

[*English*]

The Chair: Are those all your questions, MP Ste-Marie? Yes.

Okay. We will now move to the NDP. This will be the final questioner.

MP Blaikie, you have a little more than four minutes.

Mr. Daniel Blaikie: I want to come back to Mr. Laliberté on the question of the EI appeal board.

You spoke about the tension that can develop between full-time staff and part-time staff who are hearing appeals. I wonder if you wanted to share with the committee some thoughts on how the folks on those appeal boards are selected, what's contemplated in the legislation and what you think ought to be the case.

Mr. Pierre Laliberté: There's no mechanism specified in the legislation. The intent was that the selection would be managed through the respective offices of the commissioner for employers and the commissioner for workers. This is done through a process whereby people could individually apply and would need to get sponsorship from employer, labour or community organizations that would vet their skills in the world of appeals, so to speak, and whether they are in good standing with their community. That was discussed informally at the conceptual stage.

As you will see, that aspect is not dealt with in the bill. I don't know, ultimately, what that would mean. Currently, when it comes to the Social Security Tribunal, we have a kind of rubber-stamp say on the people selected. In other words, the civil service makes the determination, then comes up with a list of eight people—if there are eight positions open—and asks us to make a decision with essentially no more perspective than that. We don't want that, for reasons that are pretty obvious.

That would be my answer to the question.

• (1725)

Mr. Daniel Blaikie: Thank you very much.

Mr. Pierre Laliberté: Thanks.

Mr. Daniel Blaikie: Thank you, Mr. Chair.

The Chair: Thank you, MP Blaikie.

MP Ste-Marie, just before we start our last round, I did say four minutes. You both used about two and a half minutes each. I don't know if you had any other questions or if you didn't hear me at the start of the round.

[*Translation*]

Mr. Gabriel Ste-Marie: What I would like to do is ask the witnesses whether they have a closing comment for us in a few minutes.

[*English*]

The Chair: To any of the witnesses, is there a question that you have not been asked that you would like to answer?

[*Translation*]

Mr. Karl Blackburn: If I may, I'll reiterate the main points I made. You have heard comments from our two organizations, mainly. What is central to the priorities is the labour shortage that really has major consequences for our economy.

Even though the economic recovery exists, even though it is being felt in many places in Canada, it is not as strong as it could be.

I would therefore urge parliamentarians from all political parties to give priority to measures that will bring lasting solutions to the labour shortage in Canada in the short, medium and long term.

Unfortunately, that shortage creates a risk for Canada, the risk that other countries will get ahead of us. If Canada can't manage to be competitive because of the labour shortage, then it will be an uphill climb after that.

[*English*]

The Chair: We have a little more time. Is there any other witness?

Ms. Corinne Pohlmann: I'll just say in addition that the pandemic's impacts are still here; it's not over for many small businesses, so you need to make sure that when policy is being discussed or created, that lens is still there about what impact this will have on small companies. Please don't do any more harm to small companies. They just can't absorb any more. Those would be my closing remarks.

The Chair: I saw Monsieur Laliberté's hand up.

Mr. Pierre Laliberté: I just want to address one point I was not addressed about, and it's that the budget, unfortunately, wasn't very good for the EI fund.

In the last fiscal year, we had a large infusion of money, \$35 billion, from general revenues. Now our EI fund will be close to \$30 billion in the hole. Many of the temporary measures, such as the rate freeze that I think people appreciated, have created this red ink, and it's really unfortunate that this was not addressed, because now, as was said earlier, this is a payroll tax that is a greater burden on some than it is on others.

Basically, I'm just flagging that the whole issue of EI financing might prove to be an issue in the medium term.

[*Translation*]

The Chair: Thank you, Mr. Laliberté.

[*English*]

I want to say again, witnesses, that you were excellent. You answered many questions and are going to provide the members with

some of the answers they asked for that maybe you're going to be able to get some information on.

On behalf of the members of the committee, the clerk, the analyst.... Again I'll say that the clerk and others worked very hard to get you here today. I know it was kind of a last-minute thing, so thank you. You were very well prepared to answer all of our questions, so thank you very much on behalf of our committee. We really appreciate it.

Members, we will adjourn.

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