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Chair: Mr. Peter Fonseca



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• (1535)

[English]

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

Welcome to meeting 65 of the House of Commons Standing Committee on Finance.

Pursuant to the House order of reference adopted on Wednesday, June 22, 2022, and pursuant to the motion adopted by the committee on Wednesday, October 19, 2022, the committee is meeting to proceed with clause-by-clause consideration of Bill C-228, an act to amend the Bankruptcy and Insolvency Act, the Companies' Creditors Arrangement Act and the Pension Benefits Standards Act, 1985

Today's meeting is taking place in a hybrid format pursuant to the House order of June 23, 2022. Members are attending in person in the room and remotely using the Zoom application.

I would like to make a few comments for the benefit of 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 microphone, and please mute your mike when you are not speaking.

There is interpretation. For those on Zoom, you have the choice at the bottom of your screen of floor, English or French. Those in the room can use the earpiece and select the desired channel.

I remind everyone 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 well as we can. We appreciate your patience and understanding in this regard.

I would now like to welcome our witnesses, who will help us with the clause-by-clause consideration of Bill C-228.

I wish to inform the committee that we have four witnesses with us. We did test them all. One is not able to participate since the testing could not go through. We do have one who has been tested and who is wearing a different headset, but I guess the audio does work and the interpreters are good with it. We will continue with that individual.

With us today, from the Department of Finance, we have Neil Mackinnon, who is the senior adviser, financial sector policy branch. From the Department of Industry, we have Martin Simard,

who is the acting director general, marketplace framework policy branch; and Paul Morrison, manager of corporate, insolvency and competition directorate.

Pursuant to Standing Order 75(1), consideration of clause 1, the short title, is postponed.

Members, before we move to clause 2, following the advice of the legislative clerk, it would be better to go directly to the amendments that create new clause 4.1: NDP-1 first and then amendment G-3. The rationale for doing this is that G-1 refers to new paragraph 136(1)(d.001), created by amendment G-3, and amendment G-2 refers to new paragraph 60(1.5)(a.1), created by G-1.

We would need unanimous consent to do so. If members want further explanation on that, we do have the legislative clerk, Philippe Méla, with us today to explain.

Members, I'm just seeing if we have unanimous consent.

Some hon. members: Agreed.

The Chair: Members, we will now jump, on proposed new clause 4.1, to amendment NDP-1.

MP Blaikie.

• (1540)

Mr. Daniel Blaikie (Elmwood—Transcona, NDP): Mr. Chair, I'm moving this amendment with thanks to my former colleague Scott Duvall, who did a lot of work on this issue. Scott's background was with Stelco, so he was very familiar with the kinds of impacts that bankruptcies can have on workers. He worked hard to craft language that would also help to protect their termination and severance pay.

To honour that work, and after discussions with colleagues in the Conservative Party and the Bloc, I'm putting that proposal forward.

The Chair: Thank you, MP Blaikie.

My ruling is that Bill C-228 amends the Bankruptcy and Insolvency Act to provide for the solvency of pension funds in case of bankruptcy. The amendment seeks to create new categories of payments to specific former employees that would have to be paid by a bankrupt, which is not envisioned by the bill.

As *House of Commons Procedure and Practice*, third edition, states on page 770:

An amendment to a bill that was referred to committee after second reading is out of order if it is beyond the scope and principle of the bill.

In the opinion of the chair and for the above stated reason, the amendment brings a new concept that is beyond the scope of the bill, and therefore, I rule the amendment inadmissible.

This does now allow for debate.

MP Blaikie, go ahead for a short comment.

Mr. Daniel Blaikie: Mr. Chair, respectfully, I would like to challenge your ruling. I think that it's a very narrow interpretation of the scope of the bill. I think the fact that this amendment has the support of the proponent of the bill is an indication that it is a very narrow interpretation.

As I say, with respect, Mr. Chair, I challenge your ruling.

The Chair: Thank you, MP Blaikie.

The ruling has been challenged.

Shall the decision of the chair be sustained?

(Ruling of the chair overturned: nays 6, yeas 5)

The Chair: MP Chatel, is there any further debate on this?

Mrs. Sophie Chatel (Pontiac, Lib.): Chair, I agree it's extending the scope, but I'm also worried about.... We have been talking with witnesses. We have been talking about pensions and we have been talking about especially those defined benefit pensions. Severance payments are complex in their own right and we haven't had a chance to study them at all or to ask questions of witnesses on this.

I'm concerned about the impact on other creditors and other employees because, again, this has a limited scope to certain employees, mostly those who are unionized. It would not cover those who are not part of a union, if I understand correctly. I'm disappointed that we couldn't discuss this further and that we couldn't ask more questions about this.

All that being said, under the general principles of this legislation and helping pensioners, I totally agree with the principle and I hope that we can find a compromise with the proposed amendment.

Finally, I will just say that there is the wage earner protection program. I know there's a cap of a little over \$8,000 to protect those severance payments in case of bankruptcy. I thought it would have been the right vehicle if we wanted to increase this.

For all those reasons, I would hope that we could debate this issue of severance payments at another time with the proper legislation.

• (1545)

The Chair: Thank you, MP Chatel.

MP Blaikie.

Mr. Daniel Blaikie: Mr. Chair, just for your information, the provision does not apply only to unionized workers. There's a reference so that termination and severance pay found in a collective agreement would also be protected, but the amendment clearly also refers to acts of Parliament or legislatures of a province under which entitlements to severance and termination sometimes accrue.

The Chair: Thank you, MP Blaikie.

(Amendment agreed to on division [*See Minutes of Proceedings*])

The Chair: We are now moving to G-3.

PS Fillmore.

Mr. Andy Fillmore (Halifax, Lib.): Chair, committee members will have the package of amendments in both official languages. I'll refer members to amendment G-3 at this point. We are looking to replace clause 3 with the new G-3.

The intent of that is to elevate the claim of unfunded pension liabilities and unpaid special payments from what it is today, before this bill would take effect, to just below preferred creditor. This is called a preferred claim. It's not a superpriority. It's amending the bill from superpriority to preferred claim for those unfunded pension liabilities and unpaid special payments.

The Chair: Thank you, PS Fillmore—

Mr. Andy Fillmore: I'm sorry, Mr. Chair. I might add before I lose the floor that this is consistent with what the Steelworkers' testimony, for example, was in committee. The intention, of course, is that it provides more ability for the companies being restructured to do just that: to restructure. It allows them to continue with their creditworthiness, to have access to additional credit rather than having loans called and overall improves the ability for restructuring, for the pension liabilities to be met and for current employees to remain employed.

The Chair: Thank you, PS Fillmore.

We have MP Ste-Marie.

[*Translation*]

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

Obviously, every member appreciates how significant the priority issue is. When my fellow member Marilène Gill introduced her bill, unionized workers asked for assurances that a company could obtain refinancing in order to avoid bankruptcy. That means that banks providing the mortgage on the plant, business or facility would have priority over pension funds.

All payments are, of course, important, but unionized workers told us how important it was to make sure that the company could be refinanced. Unless the Bankruptcy and Insolvency Act is completely over my head, this bill is in keeping with that spirit. As I understand the act, mortgage creditors take priority over pensioners.

If we do a comparison, Ms. Gill's bill put creditors above super creditors such as the government and the Canada Revenue Agency. Ms. Gladu's bill seeks more balance by not raising the payment priority level as high as what Ms. Gill proposed. Nevertheless, as the bill is currently worded, mortgage creditors take precedence over pensioners. That is my understanding, and that is why I don't think we need to adopt the amendment.

• (1550)

[*English*]

The Chair: Thank you, MP Ste-Marie.

Shall G-3 carry?

We will proceed to a recorded vote on G-3.

(Amendment negatived: nays 6; yeas 5 [*See Minutes of Proceedings*])

(On clause 2)

The Chair: Members, we will now move to clause 2.

Is there any discussion on clause 2?

We have PS Fillmore.

Mr. Andy Fillmore: Thank you, Chair. We will try this one more time.

We heard from multiple witnesses during the course of the study. The same story that we heard and that the ISED departmental officials heard from industry stakeholders was that the risk of unintended outcomes with the superpriority is real and it's large. In fact, we heard from some people that it is basically a foregone conclusion that defined benefit pension plans will disappear in Canada if we don't indulge in a preferred payment rather than a superpriority for pension liabilities.

It's in the interest of all of us to look after Canadian workers and to honour the contributions they have made over the course of their lives. It's our collective responsibility also to protect the jobs of those still working and earning for their families in companies that are the subject of these proceedings.

By making a pension superpriority for unfunded liabilities above that of the secured creditors, we are putting these companies, these employers, at untenable risk for failure and, therefore, job loss and, therefore, a much lesser pension payout than may otherwise be possible in a preferred payment scenario.

I will plead one more time with my honourable colleagues in the opposition parties to heed the important advice that we have heard, to heed the hard math of the situation, which is sometimes at odds with the kind of philosophical position that we all hold, I think, of honouring workers' contributions. However, in the end, we must look after those workers and those retirees in the best way we can and that would be a preferred payment, not a superpriority.

The Chair: Thank you, PS Fillmore.

I have MP Ste-Marie and then MP Chambers.

[*Translation*]

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

When the committee met with witnesses, we heard two diametrically opposed positions, just as the Standing Committee on Industry and Technology did when it studied a similar bill. On one hand, pension fund managers and employers expressed the view we just heard from the honourable parliamentary secretary; they were concerned about certain risks. On the other hand, seniors groups, unions and workers argued that those risks were completely unreasonable and cited examples to refute each one.

We heard two conflicting perspectives. My party is the one that stands up for seniors and unions. Do I think Bill C-228, as it's currently worded, poses serious risks to defined benefit pension plans or puts businesses in jeopardy? No, not at all. Workers and unionized employees care more about keeping their jobs than about being higher on the creditor payment list when a company is winding up. That is why, with all due respect, an amendment like this is unnecessary.

Witnesses representing seniors and unions assured the committee that that was the case. In my view, that's final.

• (1555)

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

[*English*]

Now MP Chambers.

Mr. Adam Chambers (Simcoe North, CPC): Mr. Chair, I have been on the record as being sympathetic to the concerns raised by members of the government on this point, but there are a couple of issues, or facts, that I think are important to consider.

This bill passed in the House in June and the government has had a considerable amount of time to consider amendments to change or continue to respect the spirit of the bill. I'm not sure that this proposed amendment does that. I do think there may be some unintended consequences or potential, but we asked very specifically about the size and scope of the problem with both government officials and industry.

The truth is defined benefit pension plans are already deteriorating or closing in this country at a substantial pace irrespective of this bill, so we asked how many more would be impacted. Is there potential? How many companies could negatively be affected? We didn't really get much information back on how many. We could maybe think about how to protect some of those companies—maybe there are 100, maybe there are 50—and we could think about how to carve some of them out of legislation, but we weren't really presented with an opportunity to do that.

I don't believe this amendment continues to respect the initial spirit of the bill.

The Chair: Thank you, MP Chambers.

We have PS Fillmore.

Mr. Andy Fillmore: Thank you, Chair.

I appreciate the intervention, and I do recall your earlier statements on the record in support, and I thank you for acknowledging those today.

We did hear directly from the Association of Canadian Pension Management, the Canadian Bankers Association, the Canadian Chamber of Commerce, the Canadian Manufacturers & Exporters and the Pension Investment Association of Canada that this legislation as proposed, with the superpriority as it's written today, would fundamentally alter the risk profile that is assessed by creditors, who in turn would need to adjust their own approaches.

They said, "Should this legislation pass, creditors would likely [need] to adjust for the increased risk profile that would stem from the potential of not having a loan repaid", and they would adjust in one or more of the following ways: one, "requiring more or different sources of collateral and other credit enhancements from companies that received loans"; two, "applying higher interest rates on loans, which increases the debt servicing costs for companies"; and three, "restricting a company's ability to further draw down credit...thereby potentially precipitating more bankruptcies" and, of course, job losses. They said, "In addition to negatively impacting companies facing insolvency, this would have the broader impact of creating a disincentive for employers to establish—or even maintain—defined benefit pension plans knowing that their access to credit would be constrained compared to maintaining a defined contribution pension plan."

I think we have heard with great clarity from the folks who are still in the business of operating the companies that are creating the wealth that is required to meet these pension liabilities. I believe we need to listen to those voices just as carefully and perhaps even more so than the folks who are deservedly waiting at the other end of this machine that creates the wealth for the wealth that they've created for themselves over time.

If we proceed with the superpriority, the foundation of that machine that is creating the wealth and the income for retirees and the income for the current workers is irrevocably altered. The credit risk profile is altered. The business proposition for these companies is irrevocably altered. We are playing with fire here, and I am extremely worried for the unintended outcomes that we may cause here.

• (1600)

The Chair: Thank you, PS Fillmore.

MP Ste-Marie.

[*Translation*]

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

As the honourable parliamentary secretary pointed out, it's not the employer creating the wealth and making it possible for that wealth to be redistributed to workers. It is thanks to everyone working together in a coordinated way that wealth is created and redistributed.

The problem is that all the witnesses and stakeholders the honourable parliamentary secretary referred to benefit from not having an obligation to adequately fund a pension plan. The more underfunded it is, the more money they have to put towards other things, and as long as that doesn't change, they benefit directly. The interests of pension fund managers and big businesses are not served if things change. As long as the company is doing fine, it doesn't have to fully fund the pension plan as it should, and when things aren't going well, the company isn't on the hook. The pensioners are.

In economics, that's called adverse selection. That is partly what the bill is trying to fix. The message to employers and pension fund managers is this: fund your pension plans, because if you don't, when you're in trouble, you'll have to fund them, since pensioners have super-priority creditor status. The message we need to send them is that they have to stop disrespecting pensioners and future pensioners. This is money they are owed, and it needs to be secured.

I listened carefully to the honourable member's position. However, if the employer or the pension fund manager does not adequately fund the pension plan, even if the business is at risk of bankruptcy, mortgage creditors still take priority. That is not only my understanding, but also the understanding of union representatives and seniors advocates. A previous loan already granted by the bank may not enjoy the same priority as the pension fund. However, the new loan that is granted so the company can save itself and restructure will bail the company out even if it failed to adequately fund the pension plan.

Mr. Chair, I repeat, I am totally comfortable with the current wording of the bill. It provides the necessary security.

[*English*]

The Chair: Thank you, MP Ste-Marie.

I see MP Dzerowicz.

Ms. Julie Dzerowicz (Davenport, Lib.): Mr. Chair, I'm very appreciative of the conversation and the comments. I was going to say something a little later on, but I think I'd like to say it now.

I forgot which of our honourable members officially submitted this into our deliberations as part of our current bill, but we had accepted the INDU report of a study of Bill C-253, which was done in the previous Parliament. I did want to recognize there were some excellent recommendations that were proposed by business leaders, insolvency leaders, pension leaders and advocates, which I think, if we had made the time to be able to consider them, may have been able to create a stronger bill, in my opinion, one that would have maximized the ability for companies to restructure while protecting 100% of the defined benefit pensions of pensioners.

I just want to lament a little bit that we have not been able to have the time. I don't blame anyone. I think there are many things that are before us. However, I do want to formally acknowledge there were some outstanding recommendations that have been coming through and, due to time and space limitations, we've not been able to consider some of them, which I think maybe is to the detriment overall of this bill.

I just wanted to submit that formally, Mr. Chair.

The Chair: Thank you, MP Dzerowicz.

Shall clause 2 carry?

• (1605)

[*Translation*]

Mr. Gabriel Ste-Marie: I have a point of order, Mr. Chair.

Don't we have to vote on amendment G-1 first?

[*English*]

The Chair: I will correct myself. Shall G-1 carry?

An hon. member: No.

The Chair: Will it be a recorded vote?

An hon. member: On division.

The Chair: Okay, on division—

Mr. Philip Lawrence (Northumberland—Peterborough South, CPC): Can we request a recorded vote, please?

The Chair: We will have a recorded vote.

(Amendment negated: nays 6; yeas 5 [*See Minutes of Proceedings*])

(Clause 2 agreed to on division)

The Chair: Now we're at new clause 2.1 and G-2.

Go ahead, PS Fillmore.

Mr. Andy Fillmore: Mr. Chair, it's the same argument again, isn't it, really? It's the point of the superpriority and its unexpected risks and unmanageable risks. It would be much better replaced with a preferred claim.

I think committee members have heard our arguments on this. Unless any of my colleagues have anything to add at this point, we'll leave it there.

The Chair: Shall G-2 carry?

Mr. Philip Lawrence: No.

Ms. Julie Dzerowicz: On division.

The Chair: That's carried on division. No, not carried—

An hon. member: Defeated on division.

The Chair: Yes, defeated on division.

Mr. Philip Lawrence: I have a quick clarification. Can you defeat something on division? I didn't think so.

The Chair: Do we need to go to a recorded vote, Clerk?

It was just defeated.

(Amendment negated [*See Minutes of Proceedings*])

(Clauses 3 and 4 agreed to on division)

Mr. Philip Lawrence: Mr. Chair, I just have one point.

We did the amendment, so it's with the amendment there. Is that correct?

The Chair: You're talking about clause 4.

Mr. Philip Lawrence: Clause 4... We amended it with new clause 4.1, NDP-1, right? Am I correct there?

Mr. Daniel Blaikie: It doesn't create a new clause 5 because then you'd have to renumber the clauses. It creates new clause 4.1 as an independent clause between clause 4 and clause 5.

Mr. Philip Lawrence: Got it. Thank you, Daniel.

The Chair: There was no amendment to clause 4 as MP Blaikie just brought up. We went to new clause 4.1. We had gone through that and also through....

(On clause 5)

The Chair: We're on G-4.

PS Fillmore.

Mr. Andy Fillmore: I'm just keeping up with you here, Mr. Chair. Your breakneck pace is difficult to keep up with.

Some hon. members: Oh, oh!

Mr. Andy Fillmore: We're talking about clause 5. This, again, relates to the superpriority problem; I guess I'm going to call it that today.

Previously, I spoke about the superpriority problem in relation to the Bankruptcy and Insolvency Act. This clause refers to the CCAA, which—if members would like, I can have a look at my little glossary—is the Companies' Creditors Arrangement Act. It is the exact same point, just under a different act, that the preferred claim is preferable and the superpriority is dangerous.

We would propose replacing clause 5 with G-4 and G-5 in the package of amendments in both official languages.

(Amendment negated [*See Minutes of Proceedings*])

(Clause 5 agreed to on division)

• (1610)

The Chair: MP Chatel.

Mrs. Sophie Chatel: I do recall there was a debate on that by the Conservatives at the time, and the suggestion was that we drop clause 6, so I thought that would be what we would be doing today.

The Chair: Perhaps we could get our legislative clerk to provide clarity on that.

Mrs. Sophie Chatel: I was already on clause 6.

The Chair: Going back to clause 5, what I heard was that it was carried on division.

Some hon. members: Agreed.

The Chair: Now we are at new clause 5.1. This is G-5.

PS Fillmore.

Mr. Andy Fillmore: Did you just say G-5? Haven't we just dispensed with clause 5 and are moving on now to clause 6?

The Clerk of the Committee (Mr. Philippe Méla): Yes, but it's your [*Inaudible—Editor*] amendment.

The Chair: It's your G-5.

Mr. Andy Fillmore: You're not doing them together. I understand.

It's the same argument. I think you've heard it now.

(Amendment negatived [*See Minutes of Proceedings*])

(On clause 6)

The Chair: MP Blaikie.

Mr. Daniel Blaikie: Mr. Chair, I think the sponsor of the bill put it quite well when she appeared before the committee. There were a number of bills that went into the original drafting of this bill, and her intention was to find a path for the bill to succeed.

The insurance scheme foreseen by this particular clause is not something that would contribute to that, so I'll be voting against this clause.

I think there's agreement by at least a majority of committee members to vote down clause 6, as well as clause 7.

The Chair: Thank you, MP Blaikie.

MP Baker.

Mr. Yvan Baker (Etobicoke Centre, Lib.): Chair, I was going to second what MP Blaikie just said.

From our perspective, during the discussions, I think even MP Gladu suggested during her testimony that clause 6 should be removed and clause 7 as well. We support the removal of both of them.

The Chair: Members, what's been put on the table is the removal of clauses 6 and 7.

Do we have unanimous consent for that?

(Clauses 6 and 7 negatived)

(On clause 8)

The Chair: MP Baker.

Mr. Yvan Baker: Chair, when we heard from finance officials, they raised the issue of the transparency requirements that are laid out in clause 8.

I do have something I want to say, but I was wondering if we could ask the officials who are with us to reiterate the concerns they expressed here, just to refresh our memories.

Mr. Neil Mackinnon (Senior Advisor, Financial Sector Policy Branch, Department of Finance): I'm Neil Mackinnon from the Department of Finance. I can answer that.

Our concern here is the requirement to transmit the report to the provincial ministers responsible for finance and provincial security commissions. Those bodies have no responsibilities with respect to federally regulated private sector pension plans, which are the plans legislated by the Pension Benefits Standards Act.

In addition, the OSFI annual report is already available online, so those entities could look at this report if they wanted to.

To reiterate, these plans are under federal jurisdiction and there is no role for these provincial bodies in respect of regulating these pension plans.

• (1615)

The Chair: MP Baker.

Mr. Yvan Baker: Chair, based on what we've heard from our officials today, they've reiterated basically what we heard the last time, which are two key points, for me, at least.

The first one is that this requirement is redundant, given that OSFI already publishes the report on their website. The report's already public and published.

The second one is that it doesn't appear that it would have a tangible impact in helping workers or any other folks who need to have this information, given that the provincial officials who would receive this report, as proposed, don't have jurisdiction over federally regulated pensions.

Why create a redundant process that doesn't meaningfully impact the people we're trying to help, which are the workers?

I'd be curious to hear the thoughts of other members on this, but that's my perspective on it.

The Chair: Thank you, MP Baker.

I have MP Chambers and then MP Blaikie.

Mr. Adam Chambers: Mr. Chair, I totally get the government's position on this. From my perspective, and I speak only for myself, if much of the work has already been done, then it should be relatively easy to table that information in Parliament.

The second point would be that often government departments do a lot of good work and sometimes reports that are supposed to be done annually end up not being done annually. We go multiple years having reports, which have usually been done, not done. If it is required to be presented to Parliament, I think that ensures we will continue to get this information.

The Chair: Thank you, MP Chambers.

MP Blaikie.

Mr. Daniel Blaikie: Mr. Chair, I have two quick thoughts.

First, I think the most compelling argument against this reporting requirement before the digital age would have been the cost of postage, but that's no longer on the table, so I think the strongest argument against this clause falls apart.

Second, I would say that part of the point of this clause, among other things, is to raise awareness about insolvent funds. The work is already being done. We're not compelling anyone to do any more work than is already being done.

What we're doing is compelling the information to be disclosed in more public fora so more people will see it. There will be more awareness about insolvent funds, which may therefore create more pressure for those things to be resolved before a company finds itself in a case of bankruptcy or insolvency. That would be better for the very creditors that Mr. Fillmore has come here to advocate for so eloquently today.

I actually think that of all the aspects of the bill, this is the one the Liberals would be most likely to support.

The Chair: Thank you, MP Blaikie.

[*Translation*]

(Clause 8 agreed to on division)

(On clause 9)

[*English*]

The Chair: Members, we are now moving to clause 9. I have a note here just before we get into G-6. If G-6 is adopted, NDP-2 and CPC-1 cannot be moved due to a line conflict.

Maybe our legislative clerk, Mr. Méla, can help us out by explaining.

The Clerk: Sure, Mr. Chair.

G-6 replaces lines 15 to 28 on page 5. NDP-2 and CPC-1, which are identical, replace line 20 on page 5 and line 26 on page 5 as well.

One line can only be amended once, so if G-6 is adopted, that line would be already amended, and it cannot be amended a second time. That's why, if G-6 is adopted, NDP-2 and CPC-1 cannot be moved.

• (1620)

The Chair: Just so members are aware, we are at G-6.

I have PS Fillmore.

Mr. Andy Fillmore: Chair, this is about the coming into force timeline. The current count is five years, but the bill proposes to reduce that down to three. Of course, as we heard from much of the testimony, the shorter transition period can have these unintended consequences as well. I might have called the pension priority the pension priority problem, but this is the short runway problem that we have here. The short runway increases the risk of loss to pensioners and active employee members of a defined benefit pension plan. The shorter period will exacerbate the negative economic consequences of Bill C-228 and in fact may have other unintended consequences that increase the risk of loss to pensioners and active employee members of defined-benefit pension plans.

Employers already in financial difficulty may be unable to reduce large pension deficits during the transition period. Pension legislation typically provides for at least five years of payments to reduce deficits, but lenders who face the risk of non-payment from borrowers with pension deficits when the superpriority comes into force may use the transition period to require employers to pay back debts instead of reducing deficits, increasing the risk of insolvency for some employers.

Employers may decide to discontinue defined benefit pension plans or group insurance plans during the transition period to avoid the impact of higher insolvency priorities on credit availability. Lenders with exposure to employers with pension deficits may pressure employers to take such action before insolvency.

Under the current pension funding regime, employers with pension deficits are required to make special payments to reduce them over time, typically three to five years, although pension regulators

have discretion in some cases to change these timelines. However, employers with special payment obligations, particularly those with large pension deficits, that are also facing financial headwinds often have difficulty making the special payments, particularly if there have been severe market fluctuations or investment losses beyond the employer's control that have significantly increased the pension deficit.

We heard from witnesses at this committee representing retiree groups and unions that they prefer that the Bill C-228 superpriority take effect immediately upon royal assent. However, they also testified that they would accept a shorter transition period, asserting that a pension deficit superpriority would incentivize employers to reduce their pension deficits.

This is not a filibuster; it's almost over, I assure you.

Some hon. members: Oh, oh!

Mr. Andy Fillmore: They also stated that lenders would react to a superpriority that could take priority over existing loans by requiring employers to pay down their pension deficits. However, a transition period may not incentivize lenders and creditors to require employers to reduce pension deficits. It's also that lenders and creditors may use a transition period to reduce their exposure to potential loss by calling in loans and requiring the employer to pay down their debts ahead of the superpriority effective date. It's more likely that lenders would take such action with employers with large unfunded pension liabilities that are also at higher risk of insolvency as a result of business conditions or other financial distress, like high debt loads.

In such cases, debt repayment triggered by concerns over a pension superpriority would divert funds from potential investment by such employers, reducing their competitiveness and counterproductively increasing risks of insolvency for employers with pension deficits.

During FINA's study of the bill, pension experts and plan sponsors stated that a longer transition period, ideally seven to 10 years, could reduce the risk of these unintended consequences. It was also predicted that 40% of private pension plan sponsors could terminate their pension plans during the transition period if Bill C-228 were to pass. Private pension plans in Canada currently have 1.2 million active employee members still accruing pension entitlements.

We're reasonable on this side of the committee room. We've listened carefully to the testimony of witnesses who have different opinions and we've listened carefully to what our colleagues have said. Today, as you can refer to it in G-6 and G-7, we are looking to meet our esteemed colleagues halfway on the three to five, and propose a four-year transition period in the belief that this extra year will allow companies to reduce their deficits, renegotiate their loans with banks and reduce the risks of bankruptcies.

There we have it. The offer is four.

• (1625)

The Chair: Thank you, PS Fillmore.

MP Chambers.

Mr. Adam Chambers: Mr. Chair, I appreciate the government's offer, at least on this point.

I'll now yield the floor to my good friend, Mr. Lawrence.

Mr. Philip Lawrence: I'm wondering if we could have a five-minute break to have a brief offline discussion, Mr. Chair, if that's possible.

The Chair: We'll suspend briefly.

• (1625)

(Pause)

• (1625)

The Chair: We are on G-6.

We had MP Lawrence and PS Fillmore. Who has the floor right now?

Go ahead, PS Fillmore.

Mr. Andy Fillmore: Mr. Chair, I think perhaps we can simplify this one, if opposition members are amenable.

I would withdraw our proposed amendments G-4 and G-5 and replace them with an offer to simply amend MP Blaikie's amendment, striking the number three and replacing it with the number four.

• (1630)

The Chair: Thank you, PS Fillmore.

MP Blaikie, do you have something to say on this?

Mr. Daniel Blaikie: I'm okay with that. I believe that Mr. Fillmore may have meant to say G-6 and G-7, but otherwise I have no objections.

Mr. Andy Fillmore: I'm on the wrong page. Thank you very much.

The Chair: We are on G-6.

PS Fillmore, you would need unanimous consent to remove it. Do we have unanimous consent to remove it?

(Amendment withdrawn [See *Minutes of Proceedings*])

The Chair: Go ahead, MP Lawrence.

Mr. Philip Lawrence: Just so we're clear, NDP-2 and CPC-1 are the same. I'm just wondering, because the NDP have been so gra-

cious to us, if we could use CPC-1 and then just amend that and do the subamendment. Make that four years and remove G-6 and G-7.

Should I put that on the floor all at the same time? That's the plan.

The Chair: MP Lawrence would be asking MP Blaikie not to move NDP-2. That's what you would be requesting. We have unanimous consent to remove G-6, and NDP-2 would not be moved, so we are now moving to CPC-1. Is that correct?

Mr. Philip Lawrence: Yes, and we would move a subamendment to change it from three years to four years.

The Chair: Okay, it's a subamendment to CPC-1 to move it from three years to four years.

Go ahead, MP Blaikie.

Mr. Daniel Blaikie: Mr. Chair, if you seek it, you'll find unanimous consent to pass that amendment and the main amendment all at once. Let's throw in clause 9 on division and call that done while we're at it.

The Chair: Yes, so we right now are on CPC-1 as amended.

Go ahead, Mr. Méla.

The Clerk: Just to be clear, what I understand of the subamendment, it would be to replace "third" in paragraph (a) to "fourth" and then in (b) as well.

Mr. Philip Lawrence: That's correct.

The Clerk: Thank you.

The Chair: Just so we are all on the same page, CPC-1 as amended is what we are voting on now.

I believe we have unanimous consent for that. Yes, it's unanimous.

(Subamendment agreed to [See *Minutes of Proceedings*])

(Amendment as amended agreed to [See *Minutes of Proceedings*])

The Chair: As MP Blaikie brought up, we are on clause 9 as amended.

Was that on division, members? Yes, it's on division.

(Clause 9 as amended agreed to on division)

The Chair: That brings us to new clause 10. That is G-7.

PS Fillmore.

Mr. Andy Fillmore: I believe we withdrew that as part of the previous arrangement.

The Chair: Okay. That has been withdrawn.

Shall the short title carry?

Some hon. members: Agreed.

The Chair: We're at G-8.

I do have a note here. It can no longer be moved because clause 8 of the bill refers to the Pension Benefits Standards Act, 1985, which this amendment seeks to remove.

Shall the title carry?

Some hon. members: Agreed.

The Chair: Shall the bill as amended carry?

An hon. member: Could you do a recorded vote on that one?

(Bill C-228 as amended agreed to: yeas 11; nays 0)

• (1635)

The Chair: Shall the chair report the bill as amended to the House?

Some hon. members: Agreed.

The Chair: Shall the committee order a reprint of the bill as amended for the use of the House at report stage?

Some hon. members: Agreed.

The Chair: Members, that is excellent work. Congratulations.

Have a great evening.

The meeting is adjourned.

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