

*Private Members' Business*

Some hon. members: Hear, hear.

**Mr. Dave Worthy (Parliamentary Secretary to Minister of State (Privatization and Regulatory Affairs) and Minister of State (Finance)):** Mr. Speaker, the hon. member for Nickel Belt again did himself proud. He does do a good job when speaking to bills.

I would like to emphasize that I believe, probably as strongly as the hon. member for Nickel Belt, that the current Bankruptcy Act does not provide adequate protection to Canadian workers whose employers have gone bankrupt. I would review the existing Act briefly.

The existing legislation allows workers a privileged claim for up to \$500 in unpaid wages and commissions. In 1949, when this law was enacted, \$500 meant three months' wages. That meant that three months' wages were protected for that worker. A lot has changed in 40 years. Five hundred dollars is now just a week's wages. This Act that we have now unfortunately protects a worker for one solitary week. Of course, not every worker is able to collect even that first \$500 or the rest of his or her wage claim. There are simply not enough assets to give workers their due in most cases, not when the workers' claims are dealt with only after the banks have recovered on their securities and after the trustees have been paid.

I am told that over half of the workers who submit a claim for unpaid wages in bankruptcy recover little or nothing from their claim. First, the workers find out that the wages that they have worked hard for and for which they are due, will not be paid to them. Second, they find out that they have a waiting period, even if there was going to be some payment. Of course, if they then turn to unemployment insurance, in many cases they have to wait for it as well because technically they have money coming to them from their former employer. Eventually, if they do recover any money from the company, it is long, long, after the bankruptcy. It can be years before any amount is paid to the creditors, and this is a long time to wait. It is a long time to wait for a nearly forgotten pay cheque, especially if you are out of work.

• (1330)

Canadian workers certainly deserve to have those wages paid. But, the changes we are talking about today, I am sorry to say, do not correct that situation. This

legislation, although it is based on a good intention and a good idea, offers workers a super priority. It is a super priority claim for their wages, commissions and pension contributions, going back six months, to a maximum of \$9,000.

Super priority means that the workers who have valid claims will be paid before the secured creditors receive anything. On the surface, that sounds like a good idea. These secured creditors are often banks, but they might also be businesses or other individuals. Secured creditors hold securities or mortgages as collateral against the money they have loaned the company that is now bankrupt. These securities must have been properly registered so that subsequent creditors could be aware of liens on a company's assets. It is important to see that a security is a precise thing.

**Mr. Rodriguez:** The workers are precise.

**Mr. Worthy:** The workers are of ultimate importance, but one has to understand the environment.

Let us say that creditor *a* has a mortgage on a bankrupt company's factory and creditor *b* has registered a security on an office building that the company owns. The way a bankruptcy is administered, under the law, is that the factory and office building can be sold.

**Mr. Rodriguez:** Who is more important?

**Mr. Worthy:** Obviously, the people are more important. The money received from the factory goes, first, toward paying creditor *a* what is still owed on the mortgage. The purchase price of the office building goes to pay creditor *b*. It is only then that the value of the remaining assets are distributed to other creditors including workers. In this case, they may or may not receive their money.

The hon. member in his bill has not explained how workers will be paid, before the creditors *a* and *b*. Will the unpaid wages be paid out from the proceeds from selling the factory or will they be paid from the proceeds of the sale of the building or will they combine the proceeds from the building and the factory or will some employees only get paid if there is a surplus from the factory?

**Mr. Rodriguez:** Sell it all and you will make the workers worse off.

**An hon. member:** Are you addressing the right bill?