House of Commons
CANADA

Standing Committee on Human Resources, Skills Development, Social Development and the Status of Persons with Disabilities

HUMA • NUMBER 037 • 1st SESSION • 38th PARLIAMENT

EVIDENCE

Tuesday, May 31, 2005

Chair

Ms. Raymonde Folco

Standing Committee on Human Resources, Skills Development, Social Development and the Status of Persons with Disabilities

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● (1115)

[*Translation*]

The Chair (Ms. Raymonde Folco (Laval—Les Îles, Lib.)): The Standing Committee on Human Resources, Skills Development, Social Development and the Status of Persons with Disabilities is holding its 37th meeting this day, Tuesday, May 31, 2005, from 11:00 a.m. to 1:00 p.m.

On the agenda, pursuant to the Order of Reference of Wednesday, April 13, 2005, we are studying Bill C-280, An Act to amend the Employment Insurance Act (Employment Insurance Account and premium rate setting) and another Act in consequence.

First of all, we would like to welcome our three witnesses from the Department of Human Resources and Skills Development, who will act as resource persons: Bill James, Director General, Employment Insurance Policy; Luc Leduc, Senior Counsel, Legal Services, Employment Insurance; Réal Bouchard, Director General, Federal-Provincial Relations and Social Policy Branch.

Thank you very much for accepting our invitation.

I would also like to note that Mr. Wayne Cole, Legislative Clerk, is here and will be able to assist us on certain important points in our discussion of the bill.

Mr. Asselin, who is the sponsor of this bill, is also with us.

First, I would like to give you some information you already have, so that it can be entered in the record. That is the letter I received as Chair of this committee. It's a letter addressed to the Chair, dated May 13, 2005, and signed by Mr. Peter Milliken, Speaker of the House of Commons, in response to a letter I wrote on May 4. I'm going to read it quickly. It will be sent as soon as I've read it. It reads:

> Dear Ms. Folco,
>
> Thank you for your letter dated May 4, 2005 informing me that some members of the Standing Committee on Human Resources, Skills Development, Social Development and the Status of Persons with Disabilities felt that their parliamentary privilege had been breached because a Committee member released a working document that, although not marked “confidential”, was going to be the subject of discussion at an in camera meeting of the Committee.

That committee member is absent today, but I'm doing this as a matter of form.

Hon. Peter Adams (Peterborough, Lib.): You're reading a bit too quickly for the interpreters.

The Chair: Thank you for pointing that out to me. We're going to give them the English version.

I'm on the second paragraph.

> While you raise an important issue, I must point out that a number of precedents and rulings have established that Committees are masters of their own proceedings. As Speaker, I do not intervene in the work of Committees and may only rule on points of order or privilege raised in the House. Accordingly, should the Committee deem that this matter ought to be brought to the House's attention, it may of course present a report to that effect.
>
> Thank you for bringing this matter to my attention. Yours truly,
>
> Peter Milliken, M.P.

So that's my answer. We have copies of it, which will be distributed to you this afternoon.

We therefore continue our study of Bill C-280.

[*English*]

First of all, before I go further, we have received a number of amendments. We have received four possible amendments proposed by the Bloc Québécois.

Are there any other amendments proposed by anyone else?

Thank you.

We will start with clause 1.

Mr. Adams.

Hon. Peter Adams: Madam Chair, we have no objection to dealing with each clause separately. But before we begin, we have the legal counsel here, and I'd like to raise a general question about the matter of a royal recommendation. I know we've discussed it, and we've discussed it with respect to at least one of the amendments that is before us.

We are concerned about this bill for a variety of reasons. One of them is because of its effect on the finances of the government in general. Amended or unamended, it involves a remarkable change, at the very least, Madam Chair, to the books of the Government of Canada. It involves transferring billions, in fact tens of billions, of dollars out of the general public purse. If that were done suddenly, it would have dramatic effects. It would, for example, move the finances of Canada into deficit that particular year.

Even if it were done over a considerable period of time—think of the amounts involved, $45 billion, $50 billion, or whatever it is—the surpluses we are running now, which everyone agrees are remarkable and rather unusual, are only in the order of a few percent. The budget is roughly $200 billion, so if we have a surplus of $2 billion, it's 1%. If in fact we were to transfer a few billion dollars a year out of the books of the Government of Canada, we'd be cutting into the current, unusually high, surpluses even if, say, this $45 billion was spread over 10 years or something of that sort.

I would ask you, Madam Chair, to rule on this. You have the legal counsel here. I do understand the matter of royal recommendation has been ruled on, but it seems to me we have a piece of legislation here that is directly impacting on the financing of the Government of Canada. I'd like the whole thing to be ruled on with respect to that.

● (1120)

[*Translation*]

The Chair: In response to your question, Mr. Adams...

You want to add something on the subject?

Mr. Yvon Godin (Acadie—Bathurst, NDP): That's correct, Madam Chair.

I appreciate Mr. Adams's comments, but they exactly correspond to the first question I asked in the House of Commons last fall. I said that the government was taking money from workers, who contributed out of their pay in order to protect themselves in the event of job losses. I said at the time that the government was stealing the workers' money. The Speaker of the House of Commons then ruled that one couldn't say that, that that wording was unacceptable. I then said that the government was taking the workers' money without asking them in order to achieve a zero deficit and balance its budget. Mr. Adams's comments are consistent with what I said. The money was taken from the workers, and now it's the government that's dependent on the employment insurance fund, not the workers.

The Throne Speech was clear in that regard. That was approved by the House of Commons. You can't say that wasn't discussed, and the government knows it. The government was ready for the employment insurance fund to become an independent fund, for the Employment Insurance Account to be separated from the government's general account to ensure that the money paid by the workers and employers — and not the government — was administered by workers and employers, who would be capable of administering a program that meets their needs.

You're saying it's no longer the workers' money, but that of the government, and that this measure will paralyze the government. On the one hand, the federal government is cutting taxes; on the other hand, it's taking money from the workers because it needs that money to balance its budget and achieve a zero deficit. The purpose of this very important bill is for the government to stop taking with one hand money that doesn't belong to it. I've said this on a number of occasions. On an employee's pay stub, it states, first, the gross amount that he has earned, then contributions to the Canada Pension Plan and premiums paid to the employment insurance fund — to which MPs don't contribute — and, lastly, it states net wages.

To balance the budget and achieve a zero deficit, the government created the GST. At the time, the Liberals were opposed to the tax. The said they didn't want the GST. It was supposed to help pay down the debt and help the government provide programs. It didn't have enough of them.

I don't mean to say hurtful things, but the money was misspent, and workers are paying for it today.

The Chair: Mr. Adams asked a question, and I have a duty to answer that question.

Mr. Yvon Godin: He asked more than one question. He asked you to do a turn around the table on the subject.

The Chair: That's precisely what I'd like to do.

Mr. Yvon Godin: So we should hear comments from other parliamentarians, Madam Chair.

The Chair: Yes, but you're straying a little from the subject. The question concerned a very specific subject.

Mr. Yvon Godin: What did it concern?

The Chair: Pardon me?

[*English*]

Hon. Peter Adams: I have two things.

As you said, it's a very specific question, but the politics of this are that in fact we've had more than ten remarkable years in Canada, and one of the reasons for that was the balancing of the budget. I have the technical concern, Madam Chair, but my point is that the scale of the financial changes involved in this are sufficiently serious to move the government back into deficit and affect the stock markets. This, with due respect, doesn't benefit any of us. If we were to be a part of a downturn in the economy—an unintended, perhaps, part of a downturn in the economy—it would have a serious effect on employed and unemployed people alike.

My concern now is this. Here we are, a committee considering a piece of legislation that goes beyond righting perceived wrongs in the past to seriously affecting the economy of Canada. My question was about the implications of this extraordinary general thing with regard to the royal recommendation.

● (1125)

The Chair: And this is what I'd like to address, Mr. Adams.

I have spoken to our *greffier législatif*, who advises me that this bill, if passed, whether amended or not—the context of the bill, if you like, as such—only changes a way of accounting for the money of the government. It is not additional money that would be spent by the government that this bill asks for. There's no additional money being asked for. It remains the money within the government, so the parliamentary procedure of asking for royal assent would not hold in this case. That is the answer I've had from our legislative clerk, Mr. Adams.

Hon. Peter Adams: Thank you, Madam Chair.

I don't have any comment. If our officials don't either, that's fine with me.

The Chair: Comments from our witnesses?

[*Translation*]

Mr. Bouchard.

[*English*]

Mr. Réal Bouchard (Director General, Federal-Provincial Relations and Social Policy Branch, Department of Human Resources and Skills Development): I'm not sure I understood, Madame Chair, what you've just been saying. If we are talking about an independent commission, where a transfer $45 billion is being made, and this transfer is no longer consolidated with the CRF, it obviously has an impact. If the $45-billion transfer is still consolidated with the CRF, there are certainly some implications. A borrowing authority will be required to make the transfer. That could have an impact on interest rates, and this could have an impact on capital markets.

So under the two scenarios, with respect to what Mr. Adams was saying, there appear to be some implications.

The Chair: In answer to what you just said, I've asked our clerk again, who tells me it would have an impact, for sure, but it remains the money of the government, and therefore does not require royal assent. This is the question Mr. Adams had asked.

Monsieur Lessard.

● (1130)

[*Translation*]

Mr. Yves Lessard (Chambly—Borduas, BQ): Thank you, Madam Chair.

I'm quite surprised at the tone of the discussion this morning. You shouldn't appeal to fears that don't exist. Let me explain.

First, I'm going to reconsider the first three arguments Mr. Adams based his comments on. With respect to bookkeeping changes, I'll point out that this is an argument that I find frivolous in the circumstances because, in the past, changes were made to the employment insurance fund that had the opposite effect: funds were paid into the consolidated revenue fund. Bookkeeping was never a problem then. Bookkeeping is much more a problem for families that have to do their own accounting, when they can't receive benefits under a system into which most of them have paid premiums all their lives.

The second argument concerns the billions of dollars. Our colleague Mr. Godin raised the point: this isn't billions of dollars that has been accumulated to pay anything else but employment insurance. And yet it's being used for other purposes. The point of this bill moreover is to put an end to this improper use — to use a parliamentary term — of the employment insurance fund.

I would also remind our colleague Mr. Adams that the only two parties that contribute to that fund are employees and employers. His argument therefore cannot be accepted here, in view of the fact that we're defending the purpose and mission of a fund that's called the employment insurance fund. If it were the general fund used for all purposes, that would be different, but that's not where we stand, Madam Chair; this is the employment insurance fund. So the point of this bill is precisely to put an end to what Mr. Adams wants to perpetuate.

The third argument concerns the effects on public finances. I would remind you that those effects have been analyzed by the Standing Committee on Human Resources, Skills Development, Social Development and the Status of Persons with Disabilities through a subcommittee. A report was submitted to the committee, and it adopted it. You know that since you were chairing this august committee yourself when that occurred. I have that report here, and it's Recommendation 1.

Recommendation 1 refers to an independent fund. In other words, when we conducted this analysis, we asked the experts and the department how the fund could gradually recover money accumulated over the years. There's a recommendation to that effect; I believe it's Recommendation 2 or Recommendation 3.

I'll close by saying that what Mr. Bouchard raised has previously been considered by the committee. On that matter, I think it's frowned upon to use dilatory means in the circumstances to prevent the committee from considering Bill C-280 so that it can move on to third reading, particularly since one of the amendments proposed this morning addresses the only concern of the Speaker of the House: that this not add money to the Supplementary Estimates. That concern was rightly raised, as you pointed out, Madam Chair.

Thank you.

The Chair: You may make a final comment, Mr. Adams.

[*English*]

Hon. Peter Adams: Madam Chair, first of all, I do want to say on this question of how the money was used that it seems to me—and I'd be glad to argue this for a few hours if we wish—that the best unemployment program you can have is a program that generates jobs for everybody. I would argue that is what has happened by the way these funds have been managed these last ten years. Millions of people have been employed because of the vital economy and the way the federal government finances have been run. I accept a small part of that. So that's one point.

The other point is with regard to the committee report. In Bill C-43, which is the budget bill, which the Bloc are in fact opposing, the government has moved. It has there, if they were to vote for it, various items dealing with our report and our recommendations. It gives the Employment Insurance Commission the authority to set premiums under a new rate-setting mechanism. It instructs it to generate just enough premium revenue for that year to cover the program costs for that year. It instructs it to take into account economic variables—in other words, whether the economy is going up or the economy is going down, based on the best independent advice. It moves toward some sort of stability in the premiums, which as we all know have been coming down year after year after year, for many years. In a given year, the rate will not change more than 15¢ from the previous year's rate, and it gives some figures for 2006, and so on.

Again, it encourages the Minister of Finance to use the best current available independent analysis of where the economy is going. It gives the EI Commission the authority to obtain independent expert advice as it deems necessary to establish its premium rate, and so on. By the way, in law there's a relationship between the chief actuary, the statistics generated by the chief actuary, and the commission. These are real changes.

So I would certainly argue, Madam Chair, that these funds have been used well, and it's not been abused.

I have another point. Yvon is here. This is for you, specifically. I am not sure that it ties in to the legislative counsel, but maybe it does. So it's not about the vast amount of money involved, this $45 billion, and about playing around literally with the economy of the country and the stock markets. It is this question of whether it should be a separate account, whether.... And I don't know if the word is “legally” or “morally”, because we all hear about the Auditor General—we do, on the government side, from the opposition, all the time. They say “Look, the Auditor General has discovered that the Department of National Defence has bought 3,000 left boots. Where are the right boots?” We hear this all the time.

At our committee, in response to a question from Yvon Godin, the Auditor General said “There could be a mechanism with a separate account. I assume that could exist. There could be a more transparent and perhaps a more rigorous mechanism for setting rates, benefits, and all the rest.” I've mentioned some of those, which are in the budget bill. She goes on, and this is the current Auditor General. You will recall the separate account in the mid-1980s, I believe, was set up by a previous Auditor General, who said the separate account should be incorporated in the general revenues of Canada.

So the government of the day, which I wasn't involved in—maybe it was a Conservative government, I don't know—was instructed by the Auditor General to incorporate them into the general revenues. In our committee, replying to Yvon Godin, Sheila Fraser said:

> Honestly, I must say that I have trouble imagining that the employment insurance program could be excluded from the government's summary financial statements, which include all government activities. I have trouble imagining that the employment insurance program is the government program. There are mechanisms that can be put in place. In any case, perhaps there are possibilities.

Then Yvon went on, and asked some more questions, and she said, “In accounting terms, it would probably still be in the government's financial statements.” That was before this committee.

Now, Madam Chair, I don't know if the legal counsel can rule on it, or if you can or our staff can. Do we have to obey the Auditor General, or do we not? She confirms what has been the case for 20 years now, that it's part of the CRF, the consolidated revenue fund, as my colleague Yasmin tells me.

● (1135)

Madam Chair, I'd ask you to rule on that. The whole bill is about setting up a separate account. The Auditor General says she can't imagine having a separate account.

The Chair: Before this, I have three names. I have Monsieur Lessard, Monsieur Asselin, and Monsieur Godin. We'll close the discussion with Monsieur Godin.

Monsieur Lessard, go ahead, please.

[*Translation*]

Mr. Yves Lessard: Madam Chair, Mr. Adams eloquently made two major remarks that deserve reconsideration.

We absolutely do not share Mr. Adams's perception. In my view, it is a political choice as to whether we agree that this fund should be administered solely as an employment insurance fund or as an unemployment insurance fund. From what I understand of their position, their answer is no. From that point, all arguments are possible or helpful, but they cannot stand.

I would point out that sections 73 and 74 as proposed in the bill that we have tabled respond in a way to a concern expressed by both the Auditor General in 1983 and 1986 and, more recently, by Ms. Fraser. That concern was how the fund would be managed in the event of a surplus or deficit.

We believe there may be reciprocal loans. As regards that, they all say the government currently owes the fund a few billion dollars. We think this should take the form of a loan, as is the case when the government goes to the financial markets to fund its major projects or programs. The converse is also true. If there were a sudden, sharp increase in unemployment, and the fund, which would then have a shortfall, had to call on the government's financial resources, that would take the form of a loan. However, the experience of the last 10 or 12 years leads us to believe that situation is somewhat unlikely, Madam Chair.

If we stopped striving to lower premiums and tried instead to take corrective action that would make it possible to help people who are really in need, we'd wind up in a completely different dynamic. However, I see this morning — and I find this quite serious and distressing — that Mr. Adams and the party he represents intend to continue taking funds out of the employment insurance fund, exercising control over the fund and using it for other purposes. However, all stakeholders in society who are concerned with the employment insurance issue, particularly those who contribute to it, are radically opposed to such a situation. That moreover is why we introduced this bill. If it weren't to be passed, Madam Chair, in view of the expectations of the people concerned by the situation, not only would I find that outcome deplorable, I would also wonder if you'd respond to it. Of course, it's still going to be window-dressing, but I don't even dare think of that, it's so revolting.

I'll close by saying that the remarks made earlier could have a major impact. I invite my colleagues here to be aware of the fact that, as the Committee on Human Resources and Skills Development, we are responsible, among other things, for being concerned about the fate of people who lose their jobs.

In spite of all those people hit by employment problems, are we going to shirk that responsibility so readily, Madam Chair? We made a compromise this morning, going so far as to give up the majority on the commission. I believe the elastic band has now been stretched too far. It makes no sense, Madam Chair.

I urge my colleagues to realize that it is we committee members who must make the appropriate recommendations and that those recommendations are right here, Madam Chair.

● (1140)

The Chair: Thank you.

Mr. Asselin.

Mr. Gérard Asselin (Manicouagan, BQ): Madam Chair, I believe that, if there is one bill that is unanimously supported by workers and employers, it's Bill C-280.

The purpose of Bill C-280 is to create an independent, self-governing fund. That means that the premiums collected and benefits paid are administered by the designated employers. The money paid by workers provides insurance in the event of job loss or termination. Under the bill, those administrators are appointed by the government. The money goes to the government, and the amounts that people have paid must not be used for purposes other than those for which they have contributed. For example, if I contribute to the Quebec Pension Plan, my money has to go to the Quebec Pension Plan. If I pay premiums to the CSST, that money has to go to the CSST. The government can't appropriate those funds. The purpose of Bill C-280 is to establish an independent fund. We don't want the government to appropriate the surpluses anymore.

According to the Auditor General of Canada, the government accumulated $46 billion a year. If those funds are appropriated and transferred to a consolidated revenue fund, that becomes a disguised tax on workers.

Madam Chair, I would ask that we stick to the bill. We're talking about an amount of $46 billion. Earlier Mr. Bouchard referred to a rebate. There appears to be a unanimous wish to proceed with the establishment of an independent fund, judging by Recommendation 1 in the report of the committee or subcommittee. That report informed us and contributed to our discussions. Not only does Bill C-280 address the wishes of workers, the unions and employers, the new Minister of Human Resources and Skills Development also supported the bill on second reading and, thus, the creation of an independent fund.

I believe the report is unanimous. It recommends the establishment of an independent fund. It was adopted by a majority vote in the House of Commons. The Liberal Party of course voted against the bill on second reading, but the new minister then gave Bill C-280 her support.

Mr. Adams, we're not sitting in camera. Your blues can be used apart from questions and press points. You're debating like a man possessed in an attempt to show that the government would like to continue appropriating these funds for other purposes than those for which they were contributed. Workers have purchased insurance in the event of job loss or termination. It's unfortunate, but six out of 10 workers receive benefits.

Ms. Folco, as Chair of this committee, I would ask you to stick to the wording of the bill.

● (1145)

The Chair: I'm getting there, but I promised to let a number of people speak. However, I really want this to be the last round. A number of people have requested the floor. I'm going to proceed in this order: Mr. Godin, Ms. Ratansi, Mr. Devolin and, lastly, Mr. Adams. But this will really be the last round.

Mr. Godin, over to you.

Mr. Yvon Godin: Thank you, Madam Chair.

It's important to take the opportunity to discuss this, in view of what Mr. Adams has raised. The Auditor General didn't say, for example, that the government could use the money and spend it elsewhere. If you study the Auditor General's reports since the start, she even accused the government at one point of coming close to acting illegally.

In how many reports did she mention that?

We're not suggesting the money should be invested in Bermuda. We're proposing that the government have an independent fund for the operating fund. Madam Chair, I see no reason why we shouldn't be accountable for this fund to Parliament and to the government. We want it to be used to meet the needs of the workers. It should be used for them.

I'm very skeptical when I hear that employment insurance has created all employment in Canada and that it has done so many things. I invite you to come to my riding. Yesterday I told you about three fish plants that have closed down. Even based on the 14 best weeks, those people don't qualify for employment insurance. That's what it's created.

Ms. Ratansi, earlier you whispered that the fund was empty and you asked who was going to pay. Contributions to the fund will be increased, if necessary, because that's what the workers said at the hearings. Rather than leave employment insurance benefits at their levels at that time, the government has given satisfaction to the Conservatives, who would even like there to be no more employment insurance, if you please.

They cut, cut, cut. The Conservative Party has called for cuts to benefits, and that's all the government heard. In the meantime, back home — I brought you a lot of press clippings here — people are suffering and crying. That's what employment insurance has done.

In Toronto — and I'll close with this — when there was the SARS problem, what did the Liberal government do? It cancelled the two-week waiting period for people infected with SARS. I have a great deal of sympathy for those people, but what's being done for Canadians who don't have access to employment insurance?

You reacted very quickly in Ontario when there was an employment insurance problem there. We've got a major one. This money belongs to the workers, and, in our consultations, the workers said they were prepared to pay more, if there was a shortfall. That's what the consultations revealed: it's their own program; its purpose isn't to pay down the government's debt. The Prime Minister of Canada rose in the House and said that a portion of the debt had been repaid using that money. They merged programs, they did this, they did that. But you're forgetting the purpose of employment insurance: to help families that have lost their jobs.

The purpose of the separate fund is solely to remind the government of what the Auditor General has said. She can't tell the government to change employment insurance and substitute a better program for it; she can only tell it there's too much money in the fund.

The money is there for workers. It's your cash cow, and you don't want to lose it, but it's time you stopped milking it. If you want to introduce taxes in order to build roads or for health, do it, but stop taking workers' money.

That's what this bill is intended to do, and that's what should be supported.

● (1150)

The Chair: Thank you, Mr. Godin.

Mr. Yvon Godin: Thank you, Madam.

The Chair: Ms. Ratansi.

[*English*]

Ms. Yasmin Ratansi (Don Valley East, Lib.): Thank you, Madam Chair.

I have some questions to pose, and perhaps somebody might be able to give me some answers.

The Chair: Is this about the general context of the bill?

Ms. Yasmin Ratansi: I'm trying to get an understanding, a holistic approach, of how this will match up.

Number one, the notional surplus of $45 billion, how was it calculated? Where is the actuarial analysis? Who did the inputs, the debits and credits, to the fund? That is something I'd like to understand.

I am very sympathetic to workers. We all have, within our ridings, workers in industries such as construction and hospitality. So we're not talking about not paying. But if I understand the segregation of the EI fund, in good economic times the fund can be actuarially managed. It may have a surplus. But what happens if the economy goes into a downturn, like we had in the 1980s? Then where is this fund going to go?

Subclause 74.(1) says you go and borrow. Well, if you borrow out on the market, we are going to put the country into bankruptcy. If we do not have economic viability, then everybody suffers—the employers, the employees. We'll have lots of bankruptcies. Where will these employees go? There are no debits or credits. There is no management of the fund. At the moment, when it's in the CRF, I understand that the government can make arrangements to give the money to EI if it were not to have a surplus.

I'm trying to grasp why we aren't taking a holistic approach. Why does it have to be a segregated fund? Why not put it into the consolidated revenue fund, which can be beneficial? Subclause 74.(1) is bothering me, because if the fund ever were to go into a zero balance, then what? Who is going to borrow on it?

So perhaps somebody can help me out. Where is the notional surplus of $41 million coming from? What happens if the fund goes into bankruptcy in poor economic times? Who is going to be accountable for it? Have we ever sat down with the Auditor General to conduct an optional analysis?

Thank you.

The Chair: Thank you. I will be asking one of the three witnesses if they can answer one or several of these questions.

Monsieur Bouchard?

Mr. Réal Bouchard: Maybe I can answer the first question. Who is doing the calculation for the surplus? I think it's the chief actuary. You have the EI account, entries in and out, benefits and revenues. The chief actuary adds up the numbers, and that's the number we're talking about today.

But let me clarify something. Because the accounts are consolidated with the government's books, the fiscal impact occurs in the year when revenues exceed expenditures. That's where there is a fiscal impact. The cumulative amount is essentially adding the pluses and minuses from one year to the next. The cumulative surplus is really notional, a book entry. The impact occurs in every year when there's surplus and deficit. That's where the fiscal impact takes place. The surplus in itself, the cumulative one, is only a book entry that adds up the pluses and minuses over the years.

● (1155)

Ms. Yasmin Ratansi: It's not real?

Mr. Réal Bouchard: It's notional.

Ms. Yasmin Ratansi: It's notional. I am an accountant by trade, so I want to know whether it's something I can hold on to and say "This is mine".

The Chair: I think you have your answer. Mr. Bouchard said it was notional.

Does anyone wish to add to this? Monsieur Leduc, Monsieur James, anything to say to the other questions that Madame Ratansi has asked?

Mr. Luc Leduc (Senior Counsel, Legal Services, Employment Insurance, Department of Human Resources and Skills Development): The member was asking how the deficits would be absorbed in down time. Keeping in mind that these are notional surpluses or deficits, you can see that section 80 of the current legislation authorizes a direct payment through the CRF. The CRF would absorb all deficit, or all payments required, and that is automatic. Under Bill C-280 it's proposed in clause 74 to add a similar type of approach. It's called loans, which the commission would ask of the Minister of Finance.

Ms. Yasmin Ratansi: If I'm hearing you correctly, you're telling me that currently if the debits and credits didn't match up and you had more debits than credits, then the CRF would pick up the money and transfer it over to EI?

Mr. Luc Leduc: Yes, for two reasons. One of them is that the way the legislation is written right now, all payments of EI benefits are debited from the EI account and are also debited automatically from the CRF. It's all within the CRF, so any payments required are automatically debited from the CRF.

So under this particular scheme, it should never run out of payments; the payments will always be made.

Ms. Yasmin Ratansi: So the workers are always protected by the fact there's the CRF, and it will take from any other account and pay the...?

Mr. Luc Leduc: Yes.

Ms. Yasmin Ratansi: Say there's an economic downturn and therefore I need $46 billion now. Would you give it to me from the CRF?

Mr. Luc Leduc: Yes. That's the way the legislation is written currently. You would take—

Ms. Yasmin Ratansi: From which account would you give it to me, or would it be from any account?

Mr. Luc Leduc: I'd leave it to Mr. Bouchard to tell you where the CRF has its contingency moneys.

Ms. Yasmin Ratansi: What I'm really looking at is that there would be an advantage at the moment if there were an economic downturn, because I would have the money immediately from the CRF to go to the workers, but if I were to keep a separate account and the EI fund itself could not sustain the demands on it for money, I would have to go out on the open market and borrow money, or ask for a loan.

Mr. Luc Leduc: Under the proposed Bill C-280, the commission wouldn't have authority, as I see it, to go out on the public markets and obtain loans. The only way it could operate under Bill C-280 is to ask the Minister of Finance to provide it with money—or from the CRF—whereas under the EI Act, it says that all amounts or benefits shall be paid out of the CRF. So you don't have to do the loan per se.

Ms. Yasmin Ratansi: If I wanted $46 billion this year, where would I get it from? The CRF?

Mr. Luc Leduc: I'll let Mr. Bouchard answer.

The Chair: Monsieur Bouchard.

Mr. Réal Bouchard: If you were under Bill C-280, my understanding is that there would be transfer—not of $26 billion or even possibly $45 billion, or spread out over a number of years.... Obviously, the government would have to find the money somewhere. If it were a huge amount of money—$10 billion, $20 billion, $45 billion—the government would have to go to the markets. The amount would be unprecedented in terms of size, and that's the point made earlier by Mr. Adams, and so on. That in itself, if it were a huge amount, would have an impact on capital markets and so on, but the money would have to be borrowed somewhere.

● (1200)

Ms. Yasmin Ratansi: Okay, thank you. I got my answers.

The Chair: Thank you.

Mr. Devolin.

Mr. Barry Devolin (Haliburton—Kawartha Lakes—Brock, CPC): Thank you.

I've listened with great interest here this morning, and I have several points I'd like to make.

The first point is on the difference between having a consolidated revenue fund and having a series of segregated accounts. I think even within our households some choose to have one bank account, and within that account they notionally allocate what the money is for, and keep track of dollars that are set aside for regular expenses versus extraordinary expenses and long-term savings. That would be the CRF model. You have to be honest and consistent in the way you deal with that.

The other way to look after your money is to establish separate accounts. You actually set the money aside in a place where someone else or yourself can't actually get access to it easily to use for other purposes. I suspect you could make an argument for EI to be set up either way.

The problem with the way it's set up now in the consolidated revenue fund—I can speak for myself anyway—is I do not trust the government to fairly deal with that money. It has demonstrated over a period of ten years, where every year there's a notional surplus generated in EI, that the premium rate set by the government generates more dollars than are being paid out in benefits.

I believe the EI Act requires that the government actually try to balance that and establish rates that will balance the outflows. To say that this year it overshot it by $2 billion and next year maybe it will be under by $1 billion or close is one thing. But to year after year run large surpluses starts to beg the question of whether that's not being done deliberately. Many of us believe it has been done deliberately, so to a certain extent the balanced budgets that Mr. Adams boasts of were largely financed through deliberate surplus generation within the EI fund. That's partly where we've got to today.

So the government has notionally put a series of IOU chits into this account saying it owes EI this much, and those chits now total some $45 billion. Workers are saying their rates are too high, or their benefits are too low. Here's where Mr. Godin and I part company. I think he believes the premiums should be left basically where they are, or possibly even raised a little, but benefit expenditures should go up.

We're saying it's out of balance, and inflows exceed outflows. One way to fix that—the NDP way—is to increase outflows so they're in balance. We in the Conservative Party say there is another option, which is to actually reduce premiums so the EI fund income actually matches the outflows. That's an honest discussion. I think you could do one or the other, or some combination of the two.

Over many years the government has taken this money from the EI account—I would argue it's the equivalent of me taking money out of my own retirement savings plan or out of my children's education fund—and used it for other things. Now all of a sudden, with this bill, the chickens are coming home to roost.

I must say I'm a bit surprised to hear the surprise from Mr. Adams today about what the impact of this would be. The first time I read this I recognized what the impact would be. It's like a demand note. Basically the workers are saying, “You owe us $45 billion. We no longer trust you to look after the money within the CRF, knowing that when times are good for us a little extra goes in, and when times are bad a little extra comes out, because you, the government, actually set the premium. You keep the premium at such a place and establish the rules for what gets paid out.” So it's a very deliberate strategy on the part of the government over a ten-year period to milk the EI fund and continue milking it.

Bill C-280 says, “You know what, it's not going to be an account that the government just has access to on a regular basis. Given your track record, we actually want to segregate it and set it aside. Not only that, it's time to pay up the IOU chits that have accumulated to $45 billion.”

Mr. Adams makes the point that if you were to require a cheque to be instantly written out of the CRF for $45 billion and put into this new separate account, it would cause great turmoil in the government's finances. I would argue that's true. The day Bill C-280 was tabled that should have been obvious—and I believe it was. So I don't understand why surprise is being expressed by the government today that it would do this.

The money was clearly taken from workers. The government has said all along that the money was borrowed, and others have started to think it was actually stolen.

● (1205)

If you've taken money from someone and when they ask for it back you don't want to give it to them, it really begs the question whether it was borrowed in good faith in the first place or whether it was a deliberate strategy to continue to draw money out of this account.

On the question Ms. Ratansi asked, about what would happen if there was a downturn, the simple answer is that if there had been a separate fund for the last ten years, there would be $45 billion in that account, and there would be lots of money there to weather a storm for a few years if EI went into an annual deficit situation where it was drawing against its own long-term reserves.

I suspect that any prudent independent board of directors with an independent account would determine what adequate reserves would be so there would always be adequate reserves in that account. If it seemed like the EI system was moving into a structural deficit or structural imbalance, that would be addressed through adjusting premiums.

I believe the government has been disingenuous for many years in terms of its management of the EI fund. I think that has become increasingly transparent to everybody. As I said, there is an honest debate going on about how you bring it back into balance, whether it's through increasing payouts, by relaxing eligibility criteria, by enhancing payments—that's an honest discussion—or whether, as is our point of view, this is a payroll tax that actually reduces employment opportunities; therefore, premium reductions would actually have a positive benefit as well.

For the government to come before us today and say, “Oh my goodness, if we actually have to do what Bill C-280 clearly says, which is set up an account and actually deposit a cheque for the amount that we owe them, it's going to create this huge problem,” I would say, “Well, if it's a huge problem, it's a huge problem that you have been making for ten years”. I would argue that it's a huge problem that has been deliberately made, that this is not accidental, these year-after-year large surpluses.

While you may argue that it's silly to borrow a bunch of money from this account to put it into this account, which actually many of us do every year for our RRSPs—you borrow money to pay into it, because it has to go in there—I think the reason others are demanding that the government do this is because we have lost all confidence that the government is managing this process fairly. We have lost all confidence that the government does sit down and balance what its anticipated expenditures are going to be in EI versus the anticipated revenues from premiums. That is why we are where we are today.

If the government ends up in a tough spot, if Bill C-280 passes and the government has to scramble to pay off money it borrowed—and any small-business person who has a large demand note with the bank knows how this feels—then I think that should come as no surprise to the government today, given that this has been on the table for some time, and it's something the government needs to honestly address and not react to by suggesting, “Oh, my gosh, we're going to put the country into deficit and the stock markets will crash”. If that's going to happen as a result of this, it would be a mess that this current Liberal government is making, not a mess that's being created by opposition parties, who actually want to fix this permanently and put it in such a place that people cannot take the money with no intention of repaying it.

Thank you.

The Chair: Mr. Forseth.

Mr. Paul Forseth (New Westminster—Coquitlam, CPC): Well, I accept all of those comments, and I think it is a political problem. The issue is being able to separate the long-term political priorities of what is right for the country and the practicality of what happens if Bill C-280 gets through the House and then how we actually deal with it. Would it be, on the other side, fiscally irresponsible and create a real financial problem for the government?

I've heard some information from Mr. Adams. Perhaps we need a bit more about what would happen within the next six months. Although we can philosophically agree with the direction of the bill, we have a situation and we're all in the same boat together. This is our country, and I'm not going to start shooting holes in the bottom of the boat. If we are in a tough situation, we can argue politically about who is responsible for how we got into the situation that we are in, but we have to admit what the situation is. If it's a bad situation, we don't all have to jump off the cliff together—or separately.

I'm trying to describe the difference between the long-term policy objective of the bill, which in some respects I agree with, that employment insurance shouldn't be a political plaything of the government of the day, whatever that government is. It should be a much more long-term and stable social policy decision of our nation.

But we're in a situation. I think Canadians can figure out who is responsible for that situation, but still the situation is there. And as to what will happen financially if the bill is passed, I want a better answer to that question. We can hold the government accountable all we want for where we are, but if it's going to cause a major upset in the financial markets, cause a loss of confidence in the Canadian dollar, if it's going to destabilize all the other financial planning, it's a situation that I don't like, but we need some answers around that. Maybe we should not be doing this at this time, even though we agree with the concept. We shouldn't do this in a private member's bill. This should be a much more long-term, considered bill by a government with all the resources and advice to carefully consult with Canadians to ensure that we're doing it properly, that we don't damage ourselves as a nation in trying to get to a more appropriate political ideal.

So I understand the direction in which we want to go, but we have a practical problem in front of us, I believe, with finances, and what in the world is that going to do? I wonder if someone around the table can give us some technical advice as to, regardless of the politics of it, what is the practical implication if this thing passes. What is it going to do to the finances? Are we even capable of delivering on the bill, and what would it do to the national accounts?

● (1210)

The Chair: Thank you.

[*Translation*]

Mr. Lessard, I already have your name on the list. A question has been asked, and I wonder whether anyone can answer it.

[*English*]

Do any of the three witnesses feel that they can answer Mr. Forseth's question?

[*Translation*]

Mr. Yvon Godin: Madam Chair, I'm interested in hearing their answer, but I want to add something. As I understand it, our colleague is afraid the government will go bankrupt and he's concerned about a lack of money in the fund. The bill doesn't propose to take $46 billion and transfer it to the new fund; it has nothing to do with that. This is a new fund. The bill doesn't at all refer to transferring $46 billion.

The Chair: Thank you, Mr. Godin.

Mr. Bouchard, are you going to answer?

[*English*]

Mr. Réal Bouchard: As a comment, first, on what Mr. Godin has just said, I thought proposed paragraph 72(1)(a) was essentially transferring the account, but maybe I'm wrong.

Coming back to the questions that were asked, I'll make a distinction between the impact if we had to transfer a huge amount of money and the fiscal impact on the government's books of transferring a huge amount of money.

On the first one, as I was saying earlier, essentially a request of this magnitude, some $40 billion, would be a major undertaking for financial markets. It would be the biggest debt issue we've ever floated. It could well have an impact on interest rates and thereby interest costs for all Canadians.

[*Translation*]

Mr. Yves Lessard: Pardon me, Madam Chair, but I have a point of order.

Correct me if I'm wrong, but this bill has nothing at all to do with that. And yet we're conducting a debate on the subject, Madam Chair. I don't understand where we stand on that today. At the outset, the people invited to testify before the committee during study of the bill must speak to the content of the bill, Madam Chair. That's not the case here. Do we want to conduct a philosophical and theoretical debate outside the study of the bill? If someone says to me, for example, that the direct impact...

● (1215)

The Chair: You have a point of order. A question has been asked that I consider relevant to the context of this bill. We're going to continue.

Mr. Bouchard, please continue.

Mr. Réal Bouchard: Thank you, Madam Chair.

[*English*]

There would be a major impact if the whole amount had to be transferred. That being said, if the amount were transferred by smaller chunks over a period of time, of course it could be done in a much more orderly manner. The bigger the amount, the bigger the impact. That's the impact of transferring a huge amount of money.

Now for the fiscal impact. I alluded to the fiscal impact earlier, but it would have a major fiscal impact on the government, whether it's a totally independent account or whether, as the Auditor General is saying, no matter what you do, if you have policy control it has to be consolidated with the government books. Either way, it would have a major fiscal impact, and I'll explain to you why. I think we've gone through it, but let me repeat it. Maybe it would be helpful for the members of the committee.

If it's totally independent, obviously there's a huge impact of $45 billion, whether it's immediate or over time, if it's spread over a number of periods—with some recognition that if it is spread over 10 years, of course, you're talking about still a very significant impact, but it could be $5 billion a year for 10 years. That's the point Mr. Adams was making at the beginning.

If it is still consolidated with the government books, as the AG is saying; if the government keeps somehow the ultimate control over the benefits—the policy decisions that are being made with the program—it will still have a fiscal impact, even though $45 billion as an entry in the books, as an asset and then as a debit and a credit, is a wash initially. But there's a provision in the bill that says the fund cannot be more than $15 billion. What it means is that one would have to go from $45 billion to $15 billion over a rapid period of time.

If you were to go over two years, for example, it would mean you would have to give a premium holiday for two years to go from $45 billion to $15 billion, and a premium holiday would have, if it's consolidated with the government books, a $15 billion impact in year one and in year two.

So either way it has a huge fiscal impact.

The Chair: Thank you, Mr. Bouchard.

Mr. Paul Forseth: Is there any other guest who would like to further comment on my concern that, although I agree philosophically with the bill, we're left with a situation such that if this bill passes, what it is actually going to do, especially when I look at the wording on page six, from proposed subsection 77(2) of the Employment Insurance Act—"...shall be paid by special warrants drawn on and issued by the Commission by electronic means"...?

Despite what the NDP say about their intent, we have to look at the actual bill itself and what it does. That's why I'm asking the question from the experts about the wisdom.... Despite loving the idea, we have a situation, and if we pass this, what is it actually going to do?

Monsieur Leduc.

Mr. Luc Leduc: I wanted to clarify something. An issue came up as to whether or not there would be an actual transfer of money. The way I've read Bill C-280, there is an actual transfer of moneys. In proposed paragraph 72(1)(a) it says "all amounts credited to the Employment Insurance Account—as that Account existed immediately prior to the day on which this section comes into force—" shall be put into the EI account, the new EI account. That, as read, I view as an amount of money. Then if we read further on about the financing provision, in proposed subsections 72(2) and (3), which are on page 4, it requires the commission to then invest these moneys into financial institutions or in co-ops, whatever, and to fiscally manage those moneys. So that's how I've read the legislation, as requiring a payment into that new separate account.

I'll let Mr. Bouchard maybe complete the answer, but our understanding is—and this goes to the royal recommendation—if this bill were to require, or have the effect of requiring, an appropriation bill by the government to obtain these moneys—

● (1220)

The Chair: Order, please.

I'm sorry, Monsieur Leduc. Please go on. I think this is an important point that you're trying to make, and I think all members should pay attention to it.

Monsieur Leduc.

Mr. Luc Leduc: I want to conclude by noting that the amounts of moneys, if the government had to borrow on the market.... My understanding—and Mr. Bouchard has more experience on how government does its finances—is it would be through an appropriations bill, which would be required to finance in such huge amounts. That was the comment.

Mr. Réal Bouchard: If I may add one comment, whether it's transferred as a whole amount or over time in a more orderly manner, a borrowing authority bill would be required to be tabled.

The Chair: Thank you.

[*Translation*]

Wait a moment, Mr. Asselin. I'm looking for a piece of information.

Is this a point of order, Mr. Asselin? I would have liked to stick to the speaking order as it appears on my list.

Mr. Gérard Asselin: No, I'll be brief, Madam Chair. I see the names of Mr. Bouchard and Mr. Leduc. I'd like the witnesses to answer and provide the information in both languages and for them to speak French from time to time.

The Chair: I'm sorry, Mr. Asselin, but the witnesses are entitled to speak the language they want to speak, and you have access to the interpretation. Mr. Bouchard is speaking the language he wants to speak. Mr. Leduc and Ms. James are doing the same thing. You have simultaneous interpretation, Mr. Asselin, I can't ask for anything more.

Mr. Gérard Asselin: I'd simply like you to ask the witnesses to speak French from time to time.

The Chair: No, I won't ask them that, Mr. Asselin.

Mr. Leduc, do you want to continue?

Mr. Luc Leduc: I want to speak the language in which the question was put to me.

The Chair: That's perfect. It's your right to answer in the language of your choice.

Mr. Lessard.

Mr. Yves Lessard: Madam Chair, the spirit of the bill...

The Chair: Pardon me, I didn't...

[*English*]

Hon. Peter Adams: Madam Chair, if I can speak my mind, I've been waiting patiently. I've been on the list since Yves was on the last time.

The Chair: I want to hear what Mr. Lessard said, because I missed what he said.

[*Translation*]

Mr. Lessard, I didn't hear your answer.

Mr. Yves Lessard: Madam Chair, the purpose of the bill isn't to transfer the $46 billion accumulated to March 31 of last year to the employment insurance fund, since that figure no longer appears there as such. We're talking about paying into the Employment Insurance Account the amounts credited to the Employment Insurance Account. As regards the money that was used for other purposes, the purpose of the bill is to consider that that money constitutes a loan. Consequently, the government will have to pay interest, as it does when it borrows in the financial markets. The intent is thus not to transfer $46 billion into the account.

I'd like to supplement that by responding to Ms. Ratansi and explaining where the $46 billion figure comes from. One point was not raised. The employment insurance program's eligibility rules have been tightened up over the past eight years. Each and every year, there have been surpluses ranging from $3 to $7 billion, not because premiums were too high, but because access to employment insurance was reduced. As a result of all that, today, as we speak, only 38 percent of people who pay employment insurance premiums have any hope of receiving benefits.

● (1225)

The Chair: Thank you.

[*English*]

Mr. Adams, then Monsieur D'Amours, Madam Ratansi, Mr. Forseth, and Mr. Van Loan.

Mr. Adams.

Hon. Peter Adams: Madam Chair, first of all, it may seem a bit odd to people, but I have sympathy with arguments on all sides here. I really do. I'm very interested in the finances of the country, as we all should be, and I'm very interested in the situation of the unemployed and of employers. I really am.

The situation we're in is that there was an accounting practice set up by a Conservative government long ago. It was set up with good advice from the Auditor General of the day. These moneys were included in the general revenues of Canada and have been there ever since. When we came in, not only was the country in deficit, the country was borrowing a quarter of its needs every single year and applying it to the debt.

This account was in deficit, so the account was built up. It was built up to the point where we perhaps had two or three years' reserve ready in case there was a serious recession again, and it has continued notionally to build up. I accept that.

Yves asked what I would say to workers. As Yasmin said, we all deal with workers. The first thing I would say is that we have all benefited from the general state of the books of the Government of Canada in the last ten years. The country has been prosperous. I always repeat that the federal government is only one player in this, even though it over-registers in the markets because of the international dimension of the markets. We've all benefited. This includes the unemployed. It includes the workers as well. So that's one thing I would say.

The second thing I would say is that the government is already moving on a number of these issues, and Bill C-43, which is the budget bill, is before us. We hope, on this side, it is going to be passed.

I want to repeat that the Employment Insurance Commission has the authority to set premiums under a new rate-setting mechanism dealing with some of the problems that have been discussed today. Under the direction of the commission, the employment insurance chief actuary, who now becomes a legal part of it, will determine a premium rate by a certain date that will generate just enough premium revenue for that year to cover the program costs of that year, taking into account any regulations under the Employment Insurance Act. The determination will be based on the most current forecasts of the economic variables relevant to the determination. This deals with whether the independent people think we're going into a recession or whether they think actually it's going to be a great economic year—and by the way, not just next year, but the year after and the year after, because you can't change the premium like this.

This is in Bill C-43. This is going to be in law. It says that it should be stable. In other words, it should not go to zero for three years and then go back up to some high level and affect employers and employees in that way. In a given year it will not change by more than 15¢ from the previous year's rate and so on. Members know this. This is all in Bill C-43, which is before the House.

Yves, what I would say to the workers is that these things are being addressed.

Madam Chair, the last thing I would say to the workers—and this is my concern here, because somebody said the accounts of the Government of Canada are going to be in turmoil for a while.... I'm not concerned about that. The GDP is really what counts. And if you can keep that going, the Government of Canada is just like a jockey on top of a Brahma bull. The $200 billion we deal with is peanuts compared to the GDP.

We're not talking about turmoil in the Government of Canada; we're talking about turmoil in the financial state of the country. And I would say to the workers that if I had any part in triggering a recession, and the powerful effect of that, I would feel very guilty. That is my concern with this piece of legislation. We are playing with fire, Madam Chair.

● (1230)

The Chair: Thank you.

I have Monsieur D'Amours.

[*Translation*]

Mr. Jean-Claude D'Amours (Madawaska—Restigouche, Lib.): Thank you, Madam Chair.

Madam Chair, I believe there are no figures in the bill. I understand that, however, when I read proposed sections 71 and following...

The Chair: Pardon me, there is a figure...

Mr. Jean-Claude D'Amours: Pardon me, Madam Chair, I wanted to talk about the amounts that are to be transferred. I understand why the amounts to be transferred are not clearly stated, why there are no figures. Moreover, I'm going to reread proposed sections 71 and 72 because we don't necessarily need a figure to show what that means.

> 71. There shall be established in the name of the Commission an account to be known as the Employment Insurance Account.

That's easy to understand: the idea is to open a new account, as one would open a new bank account.

> 72.(1) There shall be paid into the Employment Insurance Account
>
> (a) all amounts credited to the Employment Insurance Account — as that Account existed immediately prior to the day on which this section comes into force [...]

So in view of the fact that Bill C-280 is not in force, that means that it is recognized that there were amounts in what is called the Employment Insurance Account. That clearly means that this figure of $40 billion or more, although no figure is included in proposed sections 71 or 72, must be paid into the new account that will be opened by the new commission. That's clear. We can talk about this for another 10 hours, but that's what it says. It doesn't say that a portion of it should be paid; it says that the money that was there shall be paid into the new account.

Madam Chair, this is what raises a major problem for me. I acknowledge that workers deserve better benefits and better tools in order to survive and support their children, but, when you consider jeopardizing certain parts of the country's finances, you nevertheless have to be able to strike a certain balance. However, that balance hasn't been struck. Both sides may want 100 percent and ultimately put each other at risk. So I don't think it's necessary for the figures to be included in section 71 or paragraph 71(1)(a) in order to understand from reading them that it's those amounts that will be transferred.

The Chair: Thank you.

Ms. Ratansi.

[*English*]

Ms. Yasmin Ratansi: Thank you, Madam Chair.

I would like to thank Mr. Forseth for thinking beyond political parties or thinking beyond the politics of the situation. I appreciate the concern; I appreciate workers' concern. But I think when we start blaming political parties, then people forget what is behind their own backs. Canada did not become an economic basket case during the Liberal government; it became a basket case during the Conservative government.

But setting that aside, let's think—

The Chair: Try to be consistent, Madam Ratansi.

Ms. Yasmin Ratansi: What we need to say is that if we are trying to help the workers, our aim is to help the workers. The workers can only be helped when the economics are there, and we're not helping those guys if we create a financial problem for the country or if we shoot ourselves in the foot as legislators or as politicians.

Proposed subsection 72(1) and section 74 are very critical issues we should look at. We should look beyond political parties. We need to see what we will do to those people we are trying to help. We shouldn't shoot them in the foot by creating uncertainty in the financial market. That's my concern.

Thank you.

The Chair: Thank you, Ms. Ratansi.

Mr. Forseth.

Mr. Paul Forseth: I could basically repeat what I said about philosophically agreeing with the bill, but we must recognize that we have a certain situation we're all in together, and if we pass the bill, what will be the technical implications? I was starting to get some kind of answer from down at the end of the table.

I know the manner of usual testimony is very measured and not alarmist, but if I heard it correctly, it gives me great pause. I would like to consider the bill a little bit more carefully and see if we can maybe have some private discussions amongst the parties to come up with some additional amendments that would satisfy everybody concerned that perhaps philosophically we could go this way without causing immediate damage to the situation. We're all claiming to be defenders of Canada and to want to do the best thing for Canada, but sometimes doing the so-called philosophical right thing can really hurt us in the short term. That is the concern I have about the way I read the bill on the face of it.

I hear what the NDP and the Bloc say about the spirit. Fine, but we don't interpret law on the spirit of things; we interpret the law by the technical words that are in the bill. That is the issue, and I'm still not satisfied that I have the answers or that I can be comfortable, because of the financial practicalities of what it would entail in reality.

● (1235)

The Chair: I will finish the list, but I think there's a question that's been raised, and I will want to address that question before the end of the meeting this morning.

Mr. Van Loan, then I have Monsieur Lessard, Madame Gagnon, Monsieur Godin, Monsieur Adams.

Mr. Van Loan.

Mr. Peter Van Loan (York—Simcoe, CPC): I want to understand properly, because my background is in law and we go by magic words, and “employment insurance account” is a defined term. I don't see anything in this bill that changes its definition.

Am I correct?

Mr. Luc Leduc: It's not technically defined. The major thing it changes is that the money no longer transits to the CRF per se.

Mr. Peter Van Loan: It's no longer...sorry?

Mr. Luc Leduc: The EI account, as it's defined today in section 71, is an account in the consolidated revenue fund, the CRF. It's no longer defined as that.

Mr. Peter Van Loan: So it's still an account.

The Chair: Through the chair, Mr. Van Loan.

Mr. Peter Van Loan: Sorry. I don't think I did anything that wasn't through the chair.

Under proposed paragraph 72(1)(a) it says, “There shall be paid into the employment insurance account (a) all amounts credited to the employment insurance account”. Is there something that changes them—I don't see it here in legal words—from notional amounts to actual amounts? I should preface this by saying I believe that everyone who supports this bill is quite comfortable with the notion that the $46 billion be paid, as we recommended at the committee report stage, over a period of time, say perhaps ten years—the same time that it was accumulated under—which obviously is sustainable, since it was a sustainable surplus to take out from over that time. I'm trying to look here for the words that support the scenario you're painting where all of that has to be converted to cash immediately.

Rather than being alarmist about it, I'd simply like an explanation in legal terms of where that exists. I never saw it before, any more than one would, perhaps.... If you saw that on a reading of the act previously, you would have presumed that the $46 billion notional account was a real account with real money, and we've been told it is not. So where is the change that suddenly makes it into real dollars?

The Chair: Monsieur Leduc.

Mr. Luc Leduc: Madame la présidente, when we look at the structure of the current EI act, moneys are paid out of the CRF currently to pay benefits directly. Whenever it's anything to do with the EI account, for accounting purposes it's either written as something that's credited or debited to the EI account. That's how we've always read it drafted.

In this particular case, if you look at the opening words of proposed subsection 72(1), it is the first time moneys are paid or shall be paid into the EI account. It says all amounts that were credited. So the way the structure.... I'm talking about the current structure and the structure under proposed Bill C-280. They are not crediting something to the account, but they are paying something into the account. Under the structure of Bill C-280, the way it is—if you go to page 4, proposed paragraph 72(2)(b)—it says that all amounts paid into the EI account shall, as they are paid into the account, be deposited with a financial institution.

That way of drafting clearly more than suggests, it clearly indicates that they are not credits, because we're talking about financial institutions, and financial institutions do not deal—as far as I know—with government credits per se. The way the structure is made, I believe it's clear that we're talking about actual moneys.

● (1240)

Mr. Peter Van Loan: Then the solution is either to indicate that they continue to operate as credits that can be drawn down over a period of time, or, alternatively, have an amendment that would have all amounts credited be paid over a phased period of time, say ten years, whatever you might define in the amendment. That would address the concern about the big chunk of money.

Correct?

The Chair: Monsieur Leduc.

Mr. Luc Leduc: There are several ways to address it. You have proposed two ways. I'm not here to say if those would address the concerns or not, but they are two ways of changing the approach we have been discussing this morning.

Mr. Peter Van Loan: And both of those would remove the alarm about one big chunk of money that would create significant debt.

Mr. Réal Bouchard: I have just one comment, essentially repeating what I said earlier.

There is a distinction to be made between the impact, let's say, on capital markets of significant transfers of money.... And there, as I said earlier, the bigger the amount, the bigger the impact. If you were to phase that transfer over quite a number of years, obviously it could be done in a more orderly manner. That's the impact on financial markets.

There is also the fiscal impact that would take place, which I talked about earlier, because if you were to transfer the money over 10 years at $5 billion a year, essentially it would mean that relative to the current system, there would be $5 billion less in revenues every year in that period.

The Chair: This will be the last question.

Mr. Peter Van Loan: Just to follow up on that, over 10 years, $46 billion divided by 10 is $4.6 billion. It's $4.6 billion, which is a number that echoes in my head for some reason—I don't know why. But is $4.6 billion the amount that would cause severe damage to the government's finances if you were to suddenly bring it in as an expenditure? Is it going to cause the trouble in the financial markets you talk about? Because I seem to recall it being done in a hotel room recently.

Hon. Peter Adams: If I could comment, colleagues, it's an indication of where we are with the legislation that we can talk about $4.6 billion over 10 years. Peter's point was that this surplus has accumulated roughly over 10 years, and therefore that we can pay it down over 10 years. We know how it accumulated, and it accumulated during the virtuous cycle—

Mr. Peter Van Loan: Madam Chair, I would like an answer to my question, not a speech that—

The Chair: Mr. Adams, he did ask a question of the witnesses, and if one of the witnesses wishes to answer....

[*Translation*]

I already have your name, Mr. Asselin, and I'm keeping it on the list.

[*English*]

Does anyone wish to answer Mr. Van Loan's question?

Perhaps you could repeat the question, Mr. Van Loan, just to make sure.

Mr. Peter Van Loan: I wanted to know if $4.6 billion would have impact severe enough to cause damage to the financial markets, such as you are suggesting might be the case.

[*Translation*]

The Chair: Mr. Bouchard

[*English*]

Mr. Réal Bouchard: If I may repeat what I said earlier, I said qualitatively that the bigger the amount, the bigger the impact. Obviously, if it is spread over a sufficiently long period of time, this could be done in an orderly manner. That's what I said.

Again, I was differentiating between that impact and the fiscal impact that it would have on the government, which is something else.

The Chair: Yes. Thank you.

Monsieur Lessard.

● (1245)

[*Translation*]

Mr. Yves Lessard: I'm going to make a general comment. Then I'll try to address the concerns raised by Mr. D'Amours and Mr. Forseth.

First, Mr. Adams says that everyone benefited from the present situation regarding employment insurance. No, the Liberal government benefited from the situation with regard to public administration. Not everybody benefited from it. Talk to unemployed workers where you live. Everyone of us should think about it from time to time. Not everybody benefited from it, especially those who should normally be able to receive unemployment insurance benefits.

Here's what I'm getting at, Madam Chair, and I think it's important. From the moment Mr. Forseth and Mr. D'Amours view the issue in relation to actual provisions...

[*English*]

The Chair: Order, please.

Mr. Forseth and Mr. Van Loan, Mr. Lessard is a little bit preoccupied with this. If you're going to have a conversation, do it at the back of the room or just outside, please.

Mr. Lessard.

[*Translation*]

Mr. Yves Lessard: I'm easily disturbed when people speak more loudly than I do.

I'm not familiar with Mr. Forseth's background, but I know that Mr. D'Amours is a banker. So he's quite familiar with accounts, I believe. We shouldn't suggest a different interpretation of the text as such because the concern with this bill isn't to return the $46 billion to the fund. We don't have it, unless Mr. D'Amours and Mr. Adams tell me the $46 billion is already in the account.

The bill states:

> (a) all amounts credited to the Employment Insurance Account — as that Account existed immediately prior to the day on which this section comes into force [...]

So that's what's currently in the Employment Insurance Account, within the consolidated revenue fund, Madam Chair.

That leads me to ask the following question, and the answer will tell us whether we're wrong. Is the $46 billion currently in the Employment Insurance Account?

If you tell me yes, Madam Chair, we'll go about this differently; we'll draft the text differently. We've been told thus far that the $46 billion surplus had become a virtual surplus, which was no longer in the account. So I repeat: "as that Account existed immediately prior to the day on which this section comes into force [...]" In other words, if the bill were passed on June 20, for example, the accounts would be established as of June 20. Is the $46 billion in the account?

Madam Chair, it seems to me this isn't complicated. The purpose isn't to restore that amount to the account. Our purpose is to restore it, but not through this bill. That doesn't mean we're abandoning our objective, but that's another issue that will have to be debated separately. We don't want to mix the two things up, precisely to ensure that the bill is passed.

The Chair: On that point, Mr. Lessard, I wonder whether one of our witnesses from the department would like to respond to your remarks, since that's ultimately a question you're asking.

Mr. Yves Lessard: I'm going to ask you one at the same time, Madam Chair. From the moment the House of Commons receives the bill on second reading and refers it to us for clause-by-clause consideration, I don't think it's up to us to decide that it isn't good at all. We have to consider each of the clauses to determine, for example, whether they're consistent with other statutes — like those of Bill C-23, for example, which we're considering — or whether royal assent is required, and so on.

If by chance the proposed section 72 differed in scope from what we want, it would simply have to be amended in accordance with what the committee wants.

● (1250)

The Chair: I know a number of people are asking themselves the same question, Mr. Lessard, and I'd say it's a valid question, except that a number of individuals wanted to make comments, especially wanted to ask questions, and others answered them in various ways. Not only do the questions differ at times from one party to another, but it appears that opinions may at times differ within a single party. I think that's an important matter to debate. We have the time we have left — I emphasize that — to do the clause-by-clause consideration of Bill C-280. We have the time. So that's not a problem.

I think this question had to be discussed. We've had a serious debate, which may not be finished — that will depend on all the committee members — but it seems to me it had to be done. That takes nothing away from the fact that we're going to continue that debate and that we must consider this bill clause by clause, since it is our responsibility to do so — you mentioned that. If isn't done today — and it doesn't look like it will be done today — it will be on Thursday.

Mr. Yves Lessard: So there's no ambiguity or misunderstanding on this point, Madam Chair, I entirely agree with you. I'm asking you a question as Chair. As I understand it, we're not questioning the principle as to whether we should accept the bill or not. It must be considered on a clause-by-clause basis. However, like you, I admit this is an important debate that will subsequently be useful.

The Chair: There are various ways to return the bill to the House. We can do so with or without amendments, even without clauses, but this part of the bill hasn't yet been addressed by the committee. We still have to do the clause-by-clause consideration of this bill and decide how to report it back to the House.

Ms. Gagnon.

Ms. Christiane Gagnon (Québec, BQ): Thank you, Madam Chair.

Indeed, when I read the bill, I didn't see any problems, since, as my colleague Mr. Lessard said, what's credited to the account even before the bill enters into force are the amounts that are currently in the account, not those that might have been spent elsewhere because they're in the consolidated fund. So these are amounts that are there right now, not virtual amounts or amounts already spent.

That was very clear to me. When I read it, I didn't see any problem. However, that might be subject to interpretation, since a number of people seem to be concerned about repayment of the $46 billion.

In the drafting of Bill C-280, consideration was given to the report that had been adopted by all members, which indicated that a process had been put in place to repay that debt. In the wording of the clauses of the bill, consideration was given to the report's recommendations. That didn't include the $46 billion amount.

It's been said that this is a virtual fund. In that case, the money no longer exists. It could be interpreted that way. We could discuss this for a long time, but we could also think about it before the next meeting. Do we maintain it? Is there a fear? Legal advisors could tell us whether the bill might be interpreted differently from the way we're doing it, although we haven't seen any problems in that regard.

I think we need to clarify matters a bit more. We need to be advised before the next meeting, since it's too late to begin the clause-by-clause consideration today.

Mr. Yves Lessard: Madam Chair...

The Chair: I haven't given you the floor, Mr. Lessard.

Mr. Yves Lessard: He didn't answer my question.

The Chair: Yes, but there are things I'd like to say as well.

Mr. Bouchard, you would like to add something.

Mr. Réal Bouchard: I have a brief comment to make. As I said a little earlier, the cumulative Employment Insurance Account is an accounting entry. It's not cash.

In Bill C-280, you have to find a way to change an accounting entry into cash. According to the provisions of the act, this is an amount that's deposited at a financial institution, invested, etc.

So how do you convert an accounting entry, which isn't cash, into capital that can be deposited at a financial institution? It's this switch from an accounting entry to cash that constitutes the impact that we were referring to earlier.

● (1255)

The Chair: Thank you. Pardon me, Mr. Godin, but I'd like to propose something.

We have four minutes left. Mr. Forseth made a suggestion, and I'd like to go back to it. That suggestion was repeated by Ms. Gagnon.

[*English*]

In any case, we're not going to start the clause-by-clause today. That's very clear to everyone. We do have Thursday. We do have the time to do the clause-by-clause, but I think there are a number of questions that remain.

Mr. Bouchard has just given us his answer to both Mr. Lessard's and Mr. D'Amours' questions. I think we need to go further, with all due respect to Mr. Bouchard, of course.

What I would suggest is that we all try, in our separate ways, through our own parties, to have answers to the many questions that have been brought up, particularly questions of a financial nature, and that we come back on Thursday with some of these answers so that we can move forward to a clause-by-clause study of this bill. I will ask our three witnesses to come back again for this work.

If you agree to this, then we will have found a way. I think the discussion has taken place today. I know some members consider it a filibuster. It is not a filibuster, as I see it, because the time remains to do the clause-by-clause. We're just moving it back by one meeting.

So that's what I would very strongly suggest, and I would like to hear some comments to my proposition.

Monsieur Godin, Monsieur Lessard, Monsieur Adams.

[*Translation*]

Mr. Yvon Godin: Madam Chair, I know we only have four minutes left and that my name was on the list to speak earlier.

First, I want it on the record that, when Mr. Forseth raised the question of subsection 72(1) in the subcommittee, we didn't want to paralyze government; that was clear. We didn't want to go after an amount of $46 billion in order to pay it into the Employment Insurance Account. Pardon me, but we're not all crazy around this table. That's not what we talked about. If you look at the minutes, you'll see that's exactly what was said. The idea is to find a way to do it gradually.

I agree on the suggestion that we should go back and do our homework. This isn't a filibuster. We want to understand the bill, we want to work, and we're concerned about workers' welfare.

I'll close by taking one or two minutes to offer an explanation to Mr. Adams, who still says the money was distributed for proper purposes. I have here some newspaper articles: “Bernard Richard [...]” — former acting leader of the Liberals in New Brunswick — “[...] calls on federal government to find a solution”; “Seasonal workers are impatient”; “Ottawa hasn't understood seasonal workers”; “Jane Stewart rejects pilot project proposed by Southeast”; “Fredericton wants to convince Ottawa to accommodate seasonal workers”.

There's a problem. Please, let's work to solve it. Yvon Godin is not going to receive any money as a result of this bill. This is an employment insurance system to assist workers, and I'm sure my colleague Jean-Clause D'Amours agrees with me. However, it's not working the way we'd like.

We really can put the money from the fund aside because we want to do good things. Seasonal workers are being abandoned, and Mr. Adams agrees with me, because, apart from Bill C-2...

[*English*]

You had agreed with me that we should make the change. I don't know which little needle they gave you, but you changed your mind. I hope from here to the next meeting, Mr. Adams, you come with us, this big family, to do the changes we need.

[*Translation*]

The Chair: Thank you, Mr. Godin.

Mr. Lessard.

[*English*]

Hon. Peter Adams: On a point of order, we agree with what you said, but I would urge that you keep the list, including Yvon and his place, and the next time we start with the list we have now.

[*Translation*]

The Chair: Mr. Lessard, would you accept Mr. Adams's proposal to keep the list as it is? The next speakers will be Mr. Adams, Ms. Bakopanos, Mr. Asselin and Mr. Devolin.

● (1300)

[*English*]

This is the list I have here.

[*Translation*]

You want to speak now. Please go ahead, Mr. Lessard.

Mr. Yves Lessard: Please.

The Chair: You have exactly one minute left.

Mr. Yves Lessard: To continue our proceedings on section 72, I'd like Mr. Bouchard to clarify what he said earlier when he referred to an accounting transaction.

In the accounting transaction they're conducting, is the $46 billion figure currently credited to the Employment Insurance Account? That's my question.

The Chair: Mr. Bouchard, do you want to answer that question?

Mr. Yves Lessard: If I'm told yes, we're going to correct it. If I'm told no, we don't need to correct it.

The Chair: Mr. Leduc.

Mr. Luc Leduc: I can only tell you what's currently in the act; it's credited to the Employment Insurance Account.

Mr. Yves Lessard: The $46 billion?

Mr. Luc Leduc: The $46 billion is credited to the fund.

Mr. Yves Lessard: It belongs to the fund.

Mr. Luc Leduc: No. I didn't say that.

The Chair: Thank you.

Mr. Yves Lessard: If it's credited to the account, it belongs to the account. What's credited to me belongs to me.

Mr. Luc Leduc: I can only tell you that it's credited...

The Chair: Mr. Lessard, you got an answer. It may not be the exact answer in the desired terms, but it's an answer.

We'll see each other here on Thursday. Thanks to our witnesses; thank you everyone.

The meeting is adjourned.

Published under the authority of the Speaker of the House of Commons

Publié en conformité de l'autorité du Président de la Chambre des communes

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