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Mr. James Rajotte

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● (0900)

[*English*]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): I call this meeting to order.

This is the third meeting of the Standing Committee on Finance. We have, pursuant to Standing Order 108(2), a briefing on the economic situation in Canada. We have two witnesses here this morning: the Governor of the Bank of Canada, Mr. Mark Carney; and the senior deputy governor, Mr. Paul Jenkins.

There's obviously a lot of interest in Mr. Carney's statement here, and I should point out that members have been given the Monetary Policy Report Update dated January 2009. I know committee members are very much looking forward to your opening comments, and then we will have questions from members of the committee.

So welcome to the committee, Mr. Carney. You may begin at any time.

Mr. Mark Carney (Governor, Bank of Canada): Thank you very much, Chair, and thank you to the members for this invitation.

[*Translation*]

Good morning everyone. Paul and I are pleased to appear before this committee to discuss the Bank of Canada's perspective on the current state of the domestic and global economies.

Let me state at the outset that the speed and synchronized nature of the recent global downturn has resulted in a heightened degree of uncertainty, which is evident in the diverse views on the outlook. Indeed, it is safe to say that the degree of uncertainty—the range of possible outcomes—is greater than the range of point forecasts. It is in this environment that considerable policy actions are being taken globally: the provision of liquidity to stabilize global financial markets, the write-down of assets and the recapitalization of institutions, and macroeconomic policy measures to boost aggregate demand. A considered and coherent perspective on the likely success of these policies importantly shapes our view of the outlook for the global and Canadian economies.

[*English*]

The outlook for the global economy has deteriorated significantly in recent months. What began last autumn as a relatively controlled slowdown has become a sudden, synchronized, and deep global recession. The proximate cause was the intensification of the global financial crisis, owing to both the failures of several prominent global financial institutions and the growing realization that this was a solvency rather than a liquidity crisis.

The recession that originated in the United States is now spreading globally through confidence, financial, and trade channels. In the process, the inevitable correction of unsustainably large current account imbalances in several major economies is now under way. For example, we project that the U.S. current account deficit will narrow to 3% of GDP in 2009, about half of its size two years ago.

The sustainable rebalancing of global demand from deficit countries such as the U.S. and the U.K. towards surplus countries such as China and Germany will take some time and is likely to dampen the pace of global growth during that period. In the bank's January Monetary Policy Report Update, we projected that global economic growth will be tepid this year, at just 1.1%, before rebounding mildly to a below-trend rate of 3.7% in 2010. As part of that projection, we expect that the eventual U.S. recovery will be much slower than usual. For example, we project that it will take two and a half years from the onset of the recession for the U.S. GDP to return to its pre-recession level. This sluggishness reflects the lingering effects of the financial crisis on the U.S. financial system and the slow recovery of domestic consumption there owing to the magnitude of wealth effects and the deterioration of their labour market.

Reflecting the seriousness of the shock, the global macro-economic policy response has been unprecedented. Monetary policy rates have been substantially and rapidly reduced in most major economies. Fiscal policy initiatives have also been robust, with the world well on its way to spending an average of more than 2% of global GDP in discretionary fiscal measures. These measures will replace some of the lost private demand and, equally important, will create a window for the necessary rebalancing of global growth.

Simultaneous fiscal action is not only more powerful than measures taken in isolation but also has the potential to provide some support for commodity prices. However, given the typical lags, the effects of these monetary and fiscal policies will increasingly be felt over the course of this year and into 2010.

The global downturn and the declining demand for our exports will make this a very difficult year for Canada's economy. We are now in recession, with GDP projected to fall by 1.2% this year. The first half of the year will be particularly challenging, with sharp falls in activity and sharp increases in unemployment. Unfortunately, last Friday's employment report is broadly consistent with our outlook. The 14% drop in our terms of trade since July will translate into a significant reduction in Canadian incomes, and thus in our ability to sustain real domestic spending. Losses by Canadians in their financial holdings, either directly or via their pension plans, and their concerns about the employment outlook will also restrain domestic consumption this year. Uncertainty about the economic outlook and strained financial conditions should lead to declines in investment spending this year.

As some of you may have noticed, in our base case projection, real GDP is expected to rebound in 2010, growing by 3.8%. Though seemingly impressive when viewed from the depths of a recession, such a recovery is actually more muted than usual. This recovery should be supported by several factors: the timeliness and scale of our monetary policy response; our relatively well-functioning financial system and the gradual improvements in financial conditions in Canada next year; the past depreciation of the Canadian dollar; stimulative fiscal policy measures in Canada; the rebound in external demand in 2010, particularly in emerging markets, and the associated firming of commodity prices; the strengths of Canadian household, business, and bank balance sheets; and the end of the stock adjustments in residential housing.

A wider output gap and modest decreases in housing prices should cause core CPI inflation to ease through 2009, bottoming out at 1.1% in the fourth quarter of this year. Total CPI inflation is expected to dip below zero for two quarters this year, reflecting year-on-year drops in energy prices. The bank views that the possibility of deflation in Canada is remote.

● (0905)

Indeed, with inflation expectations well anchored, total and core inflation should return to 2% in the first half of 2011 as the economy moves back to its production potential. Of course, global developments pose significant upside and downside risks to the inflation projection, and the bank judges that these risks are roughly balanced.

As I noted at the outset, in the current environment the bank's projections and those of all forecasters are subject to an unusually high degree of uncertainty. As we have consistently emphasized, stabilization of the global financial system is a precondition for economic recovery globally and in Canada. To that end, throughout the world policymakers have acted aggressively and creatively. Central banks have provided unprecedented liquidity to keep the financial system functioning. Last October extraordinary steps were taken by all G7 countries to prevent systemic collapse and to promote the effective functioning of money and credit markets.

However, the task is far from complete. Decisions taken in the coming weeks in the United States and in other major economies to isolate toxic assets in order to create a core of “good” banks will be critical. In addition, G20 countries need to act in concert to improve domestic and international regulatory frameworks. In this regard, measures to improve transparency and integrity to implement a macro-prudential approach to regulation and to adequately resource the IMF are vital.

If these national and multilateral measures are not timely, bold, and well executed, Canada's economic recovery will be both attenuated and delayed. The reality is that the financial crisis and the subsequent recession originated beyond our borders and the necessary triggers for a sustainable recovery must be found there as well.

Canada has much to offer to these efforts, which is why the bank is working closely and tirelessly with our international colleagues.

● (0910)

[*Translation*]

At home, the Bank of Canada has acted decisively. We have eased monetary policy by 350 basis points since December 2007, including 250 basis points since the start of October 2008. In doing so, we cut rates deeper and sooner than most other major central banks. With the strains in our financial system considerably less than elsewhere, monetary conditions have eased significantly in Canada since the start of the crisis. In fact, we are entering this recession with negative real interest rates—an unprecedented situation. In time, this will have a powerful impact on economic activity and inflation.

Guided by Canada's inflation-targeting framework, we will continue to monitor carefully economic and financial developments in judging to what extent further monetary stimulus will be required to achieve the 2% target over the medium term. The bank retains considerable policy flexibility, which we will use if required.

[*English*]

To conclude, in challenging times such as these, people rightly look to a few constants, to institutions that they can rely upon and to certain expectations that will be met. Canadians can rely on the Bank of Canada to fulfill its mandate. They can expect inflation to be low, stable, and predictable. The relentless focus of monetary policy on inflation control is essential in this time of financial crisis and global recession and it remains the best contribution that monetary policy can make to the economic and financial welfare of Canada.

With that, Chair, Paul and I would be pleased to take questions.

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

We'll go immediately to questions from members. We'll start with Mr. McCallum for seven minutes.

Hon. John McCallum (Markham—Unionville, Lib.): Thank you, Mr. Chair, and thank you to both of you for joining us this morning.

I would say, Governor, when someone of your undoubted ability, backed by the highly credible Bank of Canada, goes out on something of an optimistic limb—more so than most, but not all other economists—and tells us that growth will be very substantial next year, first of all, we hope you're right for the sake of the Canadian economy, but naturally we're curious as to your reasoning.

I'd like to ask you two questions on that point. The first is what you might call model risk. I think we all know that these value-at-risk models that banks were using based on maybe 10 years of data failed because 10 years wasn't enough to capture the volatility of recent times. I'm wondering if economic models in general and yours in particular might be subject to the same problem in that if they're based on 20 years of data and the last 20 years have been generally good times, naturally these models assume that when the economy goes down it automatically snaps back nicely, which has been the experience of the last 20 years. But my question is whether the extreme nature of the recent circumstances would lend one to have less faith in such models now than in the past.

My second question is under the general rubric of getting money out the door. We, at least on this side of the table, have considerable concern that, for example, the infrastructure money will not get out the door and that this will therefore provide less of a stimulus than one would think.

And to you in particular, I'd ask about the bank lending, the BDC-EDC in the budget. There is $8 billion, I believe, half a percent of GDP committed to lending by these institutions. If that lending doesn't occur this year when the economy is weak and it sits under a mattress in Ottawa, it doesn't do us any good. So my question is, what would be reasonable? Should we expect this $8 billion, for example, to be fully lent out within 12 months, or what would be a reasonable timeframe for it to be useful in promoting economic recovery?

● (0915)

Mr. Mark Carney: I'll try to answer those certainly appropriate questions quickly, in the interest of time.

First, I think it's a very good point on model risk, and let me give more background to our forecast.

I'm going to take issue with one characterization here; we don't do optimism, we don't do pessimism. We do realism at the Bank of Canada. We don't do spin. When we do a forecast, it's not based on one model. It's actually based on 21 models, four of which are the most sophisticated models in the country. But it's not based just on models. There's a heavy overlay of judgment that comes from hundreds of industry visits and from the most sophisticated business outlook surveys and loan officer surveys and other work that I think you're familiar with. Then, as I say, there's judgment that needs to be applied, particularly in a situation like this, because at the moment we are in a situation, for the fourth quarter, from basically post the intensification of the crisis into the middle of this year, when the models are going to give you the wrong result. You have to apply judgment, because markets are not fully clear, and you have big confidence effects and you have big financial effects taking place.

So we've applied that judgment. And if you look at our outlook, immediately, particularly if you look at our outlook for the first quarter, it is more negative than most people's. We have a 4.8% annualized decline in GDP in this country. So we're bringing that judgment in. What we expect, though, in part because of the measures we've taken and in part because of the measures we expect, including measures that will be announced within the next two hours by the U.S. Treasury and other governments, is that we will start to get some stabilization in the global system. There will start to be a slow recovery in financial conditions and in confidence, and then you will go back to an element of markets clearing and models reasserting. But we still overlay a judgment, which reduces the speed of the recovery, particularly in 2010. The models will tell you that the recovery in 2010 is going to be much sharper than we're projecting. So there is a judgment overlay. I also want to reassure the members of the committee that we are not slavishly following one model; we're using multiple models, and there's a heavy, heavy overlay of judgment, which is an informed opinion.

The last point on it is that there's a big range of uncertainty around those results as well. We have to acknowledge it. And it's our collective responsibility to take steps to reduce that uncertainty. This brings me to the second question, which relates to getting money out the door. I'll make two comments on that, one of which is a macro comment, as a whole, on fiscal measures and on what our assumptions are in terms of when fiscal policy hits, both in the U. S. and in Canada. We see, in both the U.S. and Canada, a much larger fiscal impact in 2010 than in 2009. Now, that's our assumption. People can dispute it and have different views. Ultimately we see the multipliers as much stronger in 2010, which gives us stronger U.S. growth, basically downsided for 2009, and similarly, in Canada, about a 0.9 % boost to Canadian growth in 2010.

On the specific financial measures for BDC and EDC, I would say two things. Obviously this is best answered by the chairs of those institutions. But particularly with respect to EDC, one of the real challenges right now, as I'm sure you know, is trade finance and export credits and the ability to get export credit insurance for small and medium-sized businesses, and even large businesses, for exports. So there is a real market opportunity that is immediately there for them to step into.

On the BDC money, one aspect they're running is this asset-backed securities purchase program. There is a pool of securities out there, and the ability to affect that over the course of the next twelve months, I think, as you said, on the outside looking in, one would expect to be relatively high. But again, the point will be best directed to them. The bank will offer all its support for those measures, if we can be helpful, to make them as effective as possible, particularly on the asset-backed purchase program.

The Chair: Thank you. Mr. McCallum.

We'll go to Monsieur Laforest.

[*Translation*]

Mr. Jean-Yves Laforest (Saint-Maurice—Champlain, BQ): Thank you, Mr. Chair.

Good morning, Mr. Carney and Mr. Jenkins.

Mr. Carney, you said earlier, at the start of your opening statement, that we could expect economic growth in 2010, eventually reaching 3.8%. Today, in February 2009, we are forecasting a recovery in 2010, in one year's time. At this time last year, could you have predicted the crisis we are currently in? Had you forecast it?

● (0920)

Mr. Mark Carney: Could you repeat the last part of your question, sir?

Mr. Jean-Yves Laforest: You are forecasting an end to the economic crisis next year and a rebounding of approximately 3.8%. That being the case, at the same time last year, in February 2008, could you have predicted that today, in February 2009, we would be experiencing such a recession?

Mr. Mark Carney: Yes.

Mr. Jean-Yves Laforest: Had you predicted it?

Mr. Mark Carney: I now understand your question. You are asking whether we had predicted the severity of the crisis.

Mr. Jean-Yves Laforest: Did you have any indications?

Mr. Mark Carney: The current global recession is clearly being felt in Canada, but it is the result of the deepening financial crisis. In a sense, you're asking whether it was possible to predict with any certainty the deepening of the financial crisis. My answer is no because the crisis was caused by difficulties in the financial sector, but also by the way the crisis has been managed.

Mr. Jean-Yves Laforest: That leads me to my second question. What is the single most important factor that led to the current economic crisis? You talked about the financial crisis, and how its increasing severity has led us to today's situation. By financial crisis, are you referring to commercial paper?

Mr. Mark Carney: The financial crisis is much deeper and extends beyond the issue of ABCPs, for example, in Canada. This is a very difficult situation, causing serious problems. The global financial crisis raises a number of issues, including the creditworthiness of the major banks at the heart of the financial system. That is the problem. This morning, the U.S. Treasury Secretary will present a detailed plan, I believe, to address the situation in the United States. Other countries—excluding Canada—have to come up with their own plans to tackle the problem affecting the international financial system.

Mr. Jean-Yves Laforest: Is that to say that we are completely dependent on what is happening elsewhere?

Mr. Mark Carney: No, not completely. Canada is dependent on other countries. The end of the crisis will have an impact on our growth rate; our growth projections depend on that factor. But even without an end to the crisis, Canada's domestic demand will be maintained, and our financial system will continue to operate. If the global crisis continues, then that will undoubtedly affect us.

Mr. Jean-Yves Laforest: Basically, you are saying that the more trade we conduct with, in particular, the United States, the more we are affected by their crisis. There is a direct link between the significance of our trade relations with the United States...

Mr. Mark Carney: Yes, absolutely.

Mr. Jean-Yves Laforest: Are there countries, economies, that are currently steering clear of the recession?

● (0925)

Mr. Mark Carney: That depends on your definition of the term “recession”. This year, for example, the growth rate in India will be approximately 5 to 6%, whereas the demographic growth rate will be about 2.5%. That is much less than in the past, but it does not constitute a true recession.

Mr. Jean-Yves Laforest: I am asking you the question...

Mr. Mark Carney: However, theirs is a rather closed economy. That is a major difference between India and Canada.

Mr. Jean-Yves Laforest: I am asking the question to find out whether measures were taken in other countries. You speak of India, but are there others? Measures were taken so that those countries are protected, in a certain sense. Could we not have adopted some similar measures?

[*English*]

The Chair: Be brief, Mr. Carney, in response.

[*Translation*]

Mr. Paul Jenkins (Senior Deputy Governor, Bank of Canada): Just a few words. You asked us what the cause was of the current situation. One of the causes is the current global trade imbalance between China, for example, and the industrialized nations. In a way, this is a global crisis. The effects on each country are part of the current situation.

[*English*]

The Chair: *Merci*.

We'll go to Mr. Menzies, please.

Mr. Ted Menzies (Macleod, CPC): Thank you, Mr. Chair.

Thank you, Mr. Carney and Mr. Jenkins, for joining us once again here this morning.

We seem to be focusing so much on forecasts and not enough on reality. But having said that, I think both this government and you, Mr. Carney, have been criticized regarding forecasts. In fact, my learned colleague Mr. McCallum commented in the first part of January that the government had overstated the risks, suggesting that most experts were predicting a 2.5% growth rate, and then in November he said that we were understating the risks. So I guess I'm confused here. And we had a very interesting comment from the parliamentary budget officer, who suggested that being an economist was a humbling occupation—and I would tend to agree with him.

Not very many people saw this coming, if anyone. Why is that? Do we not understand the situation? Do we not understand what has an impact on the economy as much as we should or could? Or is it all just as you stated in your second paragraph, “the speed and synchronized nature of the recent global downturn”? Did it catch us all off-guard?

Mr. Mark Carney: I guess there are a couple of things. And I certainly would agree with the characterization of economists.

This time last year, when we cut our interest rate by 50 basis points, which was at the time an unusually large cut, one of the reasons we did so was that we saw a protracted U.S. slowdown. We saw that in part because we felt that the adjustment in the U.S. housing market was going to take a lot longer than others were predicting. We felt, as referenced in my earlier comments, that the issue of rebalancing global demand, once started, was going to take some time and would weigh on global growth. An easy shorthand for the rebalancing of global demand, when talking about the United States, is the need for higher personal savings in the United States; the converse is that there will be lower consumption.

So we had expected things to be slower for longer than others, and that's in part why we started cutting earlier than some other central banks. But did we see the sharp intensification of the crisis in September into October? No, we did not. It's the intensification of the crisis—there'll be history books written, lots of literature, on how it happened, why it happened, and if it could have been prevented—that has called into question certain long-standing practices in the financial system.

There is a huge range of these, but the most relevant here include the ability to finance with collateral in the markets and the degree of leverage that institutions can support in the financial system. There has been a very rapid de-leveraging as a result of both the regulated and unregulated...well, principally the unregulated at this stage, but a need for large de-leveraging in the regulated financial system, and that is intensifying the slowdown. That's a process that needs to be worked through. It's a process that can be managed to some extent, and needs to be managed to some extent, to mitigate the impact on all of our economies.

The last point on this is that there is an element where the public sector can play a role in not just easing the speed of the de-leveraging but moving into selected markets, depending on the structure of their financial system, to ensure that the flow of credit continues.

● (0930)

Mr. Ted Menzies: I'll let Mr. Dechert ask a question.

Mr. Bob Dechert (Mississauga—Erindale, CPC): Thank you, Mr. Chair.

Mr. Carney, thank you for your very thorough analysis and report today. You've taken us through some of the things that the central bank has been doing over the last year or two to prepare the Canadian economy for the situation that it now is encountering. I wonder if you could tell us about what other tools you have in your tool box, as Governor of the Bank of Canada, to move the economy forward.

Perhaps you could also comment on the effectiveness of monetary policy in the range of interest rates that we currently find ourselves in.

Third, on a bit of a different topic, could you perhaps comment on which industries you would expect to see recover, or which sectors you would expect to see recover first, in the Canadian economy?

Mr. Mark Carney: In terms of the range of tools that the central bank has, obviously the first and foremost is the overnight interest rate, which, as I mentioned in my comments, we have acted aggressively on. We have dropped it by 350 basis points over the course of just a little over a year. We're at 1%, which is an historically low interest rate, as you know.

In parallel with that, we've been providing exceptional liquidity to the financial sector. The reason we've been doing that is to keep the system functioning as best as possible. We do that in a variety of ways. Effectively, to minimize risk to the taxpayer, we do collateralized lending to institutions. They owe us money, so we have the credit of the institution, but we also have the protection of very high-quality collateral. We've over-collateralized the loan, if you will.

There's a broad range of facilities, and we've been expanding the range of facilities and the degree of interaction. Those facilities peaked in December at $41 billion. If you think about the bank coming into this crisis period, if you will, with a balance sheet of $50 billion or thereabouts, which was all held in government securities, we've shifted that. We've increased to about $75 billion the balance sheet as a whole, of which about $40 billion, at its peak, was outstanding to the financial sector directly to provide liquidity—to grease the wheels, if you will—and keep the system functioning. That has come off by about $5 billion, to about $35 billion right now, but we have made it very clear, and I'll make it clear again today, that we stand ready to provide exceptional liquidity, as long as conditions warrant, to keep the system working, to keep it functioning effectively.

Now, the second question you're asking me—

The Chair: I'm sorry, Mr. Carney, we're out of time on this.

Mr. Mark Carney: I'm sure I'll get back to those.

Thank you.

The Chair: Thank you, Mr. Dechert.

Monsieur Mulcair.

[*Translation*]

Mr. Thomas Mulcair (Outremont, NDP): Thank you, Mr. Chair.

Welcome, Mr. Carney and Mr. Jenkins. Thank you for your presentation.

Mr. Carney, at your first visit before our committee, just before your appointment as governor, you spoke about the need to establish a regulatory system that would include a sense of values. That was in the wake of the commercial paper crisis. That was the start of what turned into a crisis in the summer and fall. We began to sense, particularly in the United States, that a breakdown was starting to occur in a system that, for lack of a better term, had been held together by chicken wire and chewing gum.

You have worked for Goldman Sachs. That has given you the credibility and experience to manage this crisis, which is now also affecting Canada. You are doing a fine job, and we fully support your efforts. However, you must realize that the credit facilities of some $40 billion that you have just spoken of as well as the other economic levers available to you are not always passed on. Allow me to explain.

On December 9, you reduced the key rate by 75 basis points. Banks systematically held on to exactly 25 basis points. Statistically speaking, that is noteworthy. The probability that each chartered bank retain exactly 25 of those 75 basis points—not 23 for some and 27 for the others, but exactly 25 across the board—is in the range of hundreds of millions to one. It is as if oil companies all decided to set the price of gas at 84.9 cents at 11 o'clock on Thursday morning. An investigation has shown that there was indeed collusion between the oil companies.

Do you not think that that could be a way to influence banks, since your reductions are done in the interest of the public, while banks are keeping part for themselves? Can you not ensure that banks act in the best interest of Canadians?

● (0935)

Mr. Mark Carney: First of all, as I indicated, we cut our key interest rate by 350 basis points, whereas bank's preferred rates were reduced by 325 basis points. As well, mortgage rates here in Canada are lower than elsewhere. Our variable mortgage rates are unlike those in other major countries.

With regard to the banking situation, first of all, as we have indicated, we are providing an exceptional amount of liquidity. Second, we are trying to influence banks [*Editor's Note: Inaudible*] rate, as the market has requested.

At present, Canadian banks are well capitalized. This represents costs for them. In our view, it would be timely to reduce that ratio, given the current situation. There are great opportunities for the banks.

We are trying to influence them. Here, in Canada, our monetary policy remains effective. Unfortunately, that is not the case in other major countries.

Mr. Thomas Mulcair: I would also like to hear you talk about inflationary pressures.

You say that things should be okay in the short to medium term, perhaps with a certain reservation given all the money that is being printed, as during the Creditists' era. I am sure you remember that time. Sooner or later, the money will have to be paid back, and one of the only ways to do so is through inflation, somewhat like we saw in the past.

In the long term, are you concerned about an inflation level similar to the one we had a generation ago, when we had to reimburse money borrowed to wage another war?

Mr. Mark Carney: Thank you for your question. Our monetary policy objective is to have a low, stable and predictable rate of inflation. We have a symmetrical approach. The inflation rate is currently going down, as you mentioned, and we are working on quietly increasing the inflation rate in Canada to the target 2%. We feel it is a great advantage for Canada to have this target framework system, because we have an absolutely symmetrical approach. And you, the members of this committee, can judge whether or not the Bank of Canada is successful by referring to this target.

● (0940)

Mr. Thomas Mulcair: You say you are confident you can maintain an inflation rate of 2% in the medium term; are you also confident about the long term?

Mr. Mark Carney: In the medium term and the long term, absolutely.

Mr. Thomas Mulcair: All right, and here is my final question. President Sarkozy is leading an all-out attack against the financial sector's approach, in which he is supported by Angela Merkel and by Tony Blair in particular, because this has produced the results that we are now seeing particularly in the United States. This is a system based on bonuses in order to create more and more derivative products, whose sole and unique objective is to create more bonuses and revenues for corporations, such as Goldman Sachs. But there's nothing personal about my comments.

Do you intend to support these kinds of measures in order to bring us back to our senses? Is this not part of what you described as being an objective, that is to have rules that are values-based?

[*English*]

The Chair: Just be brief, Mr. Carney.

[*Translation*]

Mr. Mark Carney: We absolutely must change the compensation system for large financial corporations. The important thing is to have mid-term compensation with mid-term objectives, and not short-term objectives as is currently the case. That was the case in my former company; that is one of the differences. It is necessary. The issue is the degree of regulation or change in corporations.

The Chair: Thank you, Mr. Mulcair.

[*English*]

We'll go to Mr. McKay, please.

Hon. John McKay (Scarborough—Guildwood, Lib.): Thank you, Mr. Chair.

Thank you, Mr. Carney, and thank you, Mr. Jenkins.

Last year the difference between the Bank of Canada's prediction for the last quarter of 2008 and the actual outcome was a swing of about 4%. If in fact that kind of analysis is applied to your current predictions, we have a fairly serious issue of really not knowing where the bottom is for our economy. If you look at places like Singapore, they are down 17%; South Korea is down 21%; and Japan is down 10%. All of those economies are highly interdependent with ours.

You put the unpredictability of using all of these models, all 21 models, and then you add to that the fact that during the course of the year you've swung your assets from basically T-bills and government bills to “other” assets—whatever those are—and then you add to that the fact that you've dropped your overnight monetary rate basically down to 1%, with virtually nowhere further left to go, and yet at the same time, you argue that we have all kinds of policy instruments left to intervene.

So my overall question is, Mr. Carney, is the Bank of Canada essentially tapped out at this point?

Mr. Mark Carney: The short answer is no, absolutely not; we have considerable flexibility. We have flexibility in our overnight rate, and there are other interventions that we could make if it were appropriate to do so, but those other steps would only be taken in the context of our inflation target and in the context of a financial system that, in Canada, has its challenges but is largely functioning, which is unique relative to those in other major economies. So we have to take that in account.

But no, I would not accept your characterization.

Hon. John McKay: But if you're down at 1%, there's not much further you can go. So I question how you could argue there is still flexibility and that you still have policy instruments left when your margin is so narrow at this point.

Mr. Mark Carney: First, we could move further if we saw fit and we've just taken a decision. I'm not going to take another one sitting at the table. But I might ask my colleague Mr. Jenkins to talk about the pass-through of some of these moves we have made, because that is being underestimated because prices are moving.

● (0945)

Hon. John McKay: I certainly want to listen to what Mr. Jenkins has to say, but from a lay standpoint, there doesn't seem to be a lot of room left here. You've changed your asset mix so that you've in effect degraded your asset mix. When you put those two together, I'm questioning just how much flexibility you actually have.

Mr. Mark Carney: I want to pick up on the asset mix. The first thing is that we have these term PRA relationships with financial institutions to provide liquidity, as I mentioned. These are basically repo relationships, and they're secured by a range of very high-quality assets, most of which are Government of Canada-related assets. So the actual risk to the bank is *de minimis*, it's a risk to the Government of Canada effectively, and I think we know what that is, and we're doing that to get liquidity out there.

If it is appropriate, we could continue to expand the scale of those operations. We could expand the term of those operations. We could expand the range of financial institutions with whom we transact. That is an option. Currently we think it's sized appropriately, but we could change that. We could change the duration, as I say, with which we react and we retain flexibility on the policy rate.

But I want to underscore that variable mortgage rates have gone down, that the prime rate has gone down substantially, 325 basis points since we started cutting; that the bankers' acceptance rate, which is effectively the commercial paper market in Canada, has gone down by almost 400 basis points since we started cutting. Even though risk premiums have gone up because of the crisis, the actual cost of credit in this country has gone down since we've cut. And if we were to continue, one could expect an additional stimulus—if that were appropriate, and we're not taking that decision casually.

The Chair: Mr. McKay, I'm terribly sorry, your time is up. Thank you.

Monsieur Carrier.

[*Translation*]

Mr. Robert Carrier (Alfred-Pellan, BQ): Thank you, Mr. Chairman.

Welcome, Mr. Carney and Mr. Jenkins. I'm very glad that you are here to enlighten us.

Mr. Carney, I was reading in your presentation that there are several reasons for the recovery you are talking about. I took note of the timeliness and scale of our monetary policy response and stimulative fiscal policy measures. I believe that these are two important elements with which we can work, at least within our country.

However, you also mention that the Bank of Canada has eased its monetary policy since December 2007 and it has accelerated this decrease by several basis points since October 2008. I am therefore wondering about the cooperation, or the ties, that you have with the current government. If you began easing monetary policy in December 2007, you must have had some indication of an economic slowdown.

Would it have been appropriate to immediately implement some kind of economic renewal plan at the same time as you say that in October you continued to ease monetary policy? You therefore realized that the situation was worsening while the new government had been elected. To my knowledge, the new government did not present a very convincing stimulus package. That is why the government was prorogued. I'm wondering what the connection is between your planning, which seems appropriate, and the government, which must take steps in line with yours if we want it to be constructive. I would like you to tell us about your thinking with regard to this.

Mr. Mark Carney: It was clear in October that the situation was beginning to deteriorate, as you mentioned. We made some very radical decisions, including an inter-FAD reduction which would not normally have been on the agenda, and a coordinated reduction with the other major central banks of the G10, which represents an extraordinary situation. We therefore reacted. That is one of the advantages of a monetary policy. We can react quickly, if necessary, and I believe that is what we did.

As far as the government's response is concerned, we accept the response of all Canadian governments. Following those responses, we decide if it is necessary to change our monetary policy. In that regard, we feel it is simple.

● (0950)

Mr. Robert Carrier: That does not exactly answer my question, because in my opinion the government was not in step with the measures you were taking in an effort to...

Mr. Mark Carney: That is a question that should be asked of the government.

Mr. Robert Carrier: I have another question about economic differences among the regions. How does your monetary policy take into account the economic differences that exist among the regions? In the last two years, the value of the Canadian dollar has increased very significantly—something new for Canada. That seemed to indicate that our economy was working well, except that in some regions, particularly Quebec, which depends heavily on exports, the higher value of the Canadian dollar had a negative impact on our exports.

How could you adapt the action you take to the needs of the various regions?

Mr. Paul Jenkins: First of all, monetary policy is a national policy, one that applies to the country as a whole. However, we do have regional offices that survey local businesses in the context of our analysis of the Canadian economy. So we use our offices as a direct source of information in the decision-making process. The differences are a factor in that world forces have an impact on the various regions—as can be seen clearly in terms of performance. However, ultimately, monetary policy is a national policy. We must therefore make decisions for the country as a whole.

The Chair: Thank you, Mr. Carrier.

Mr. Bernier, please.

Hon. Maxime Bernier (Beauce, CPC): Thank you, Mr. Chair.

Good morning, Mr. Carney, and welcome to our committee.

[*English*]

You said in a speech two weeks ago in Halifax, and I quote:

> ...monetary policy is concerned with how much money circulates in the economy, and what that money is worth. The single, most direct contribution that monetary policy can make to sound economic performance is to provide Canadians with confidence that their money will retain its purchasing power.

At the same time, you spoke about the inflation target of 2%, which you called the cornerstone of the bank's monetary policy framework.

I'm wondering how money can retain its purchasing power when it loses it by 2% every year. An inflation rate of 2% per year may seem small, but ultimately when you add up 2% depreciation of the monetary unit year after year, you end up with big numbers.

I went to the Bank of Canada website and I used the inflation calculator you provide there to see how much value our dollar has lost over the past few years. Let's take 1990 as a reference point. It is not that long ago, but from 1990 to today, inflation in Canada adds up to 42%. This means that our dollar can now buy the equivalent of only 70¢ compared to 19 years ago.

The fundamental cause of price inflation is that the money supply is continually increasing. We get price inflation because we first have monetary inflation. The more money there is, the more likely it is that overall prices rise and that our dollar will lose its purchasing power.

I also saw on your website that M1, which is one definition of the monetary supply, has increased by 6% to 12% annually over the past 12 years. That's a lot more than the growth rate of our economy. This inflation eats away at the income of every Canadian and it reduces the value of their savings. When your colleague at the Federal Reserve, Mr. Bernanke, appeared before a congressional committee on July 16, 2008, he said that inflation is a tax because people are forced to pay more for the goods and services they buy.

I would like to ask you two questions. The first is whether you agree with the chairman of the Federal Reserve that inflation is a tax. My second question has to do with the 2% inflation target. This implies a very large depreciation of our currency over the years. I wonder why the target is 2% and not a 0% target that will allow a complete preservation of the dollar's purchasing power. I understand that this target is fixed in agreement with the finance department and that you cannot simply decide to change it on your own, but I would like to have your opinion. As an economist, do you think a 0% inflation target would have more advantages, and if not, why not?

● (0955)

The Chair: You have two minutes to answer.

Some hon. members: Oh, oh!

Mr. Mark Carney: I'm going to get two minutes. You've been busy, Monsieur Bernier.

I'll mention a couple of things very rapidly; we can have a deeper discussion later.

First, as you referenced, there's a very clear accountability framework for the Bank of Canada. The 2% inflation target is an agreement with the Government of Canada. It runs through 2011, and I would say that since the inception of that agreement in the early 1990s, inflation in Canada, as it's tracked, has averaged exactly on that 2%. So the agreement has been fulfilled. It's important in times like this, where there are some disinflationary pressures, that Canadians have the confidence that inflation will be at that. Those expectations remain.

Let me make a very important point in the current environment. The fact that Canadians can expect, in the medium term, that inflation will be at 2% helps to bring negative real interest rates at very low interest rates at the moment. But I absolutely agree that your calculations are correct: they're based on our calculator, so they'd better be correct. This is a political economy decision. We're doing a lot of research on this, whether it would be better to have a lower target. We will come back to this committee to discuss that research at the appropriate time.

You used depreciation of the currency, and the one thing I want to flag on that is that what is relevant for exports and competitiveness is the real effective exchange rate, which is a product of where the actual headline nominal exchange rate is, and relative inflation rates in countries. So it matters what the inflation rate is in, say, the U.S. relative to Canada.

The last point I'd like to make is on M1 growth in Canada. What's important in this time of crisis—and always important—is the relationship between the narrow monetary aggregates and the broader monetary aggregates. What you're seeing in a variety of other countries is that the velocity of money has shrunk and so the broader monetary aggregates—the credit aggregates—are not growing, even though the monetary base is growing. The issue is to repair those linkages in Canada. You still have a more stable relationship and it's relevant to Monsieur Mulcair's question in terms of the medium term.

My last point is that one thing that has turned in the last month or so is that M1 growth is now above nominal GDP growth globally, which is normally a precursor of expansion.

Thank you.

The Chair: Thank you.

Thank you very much, Mr. Carney.

This session was obviously too short. You saw the interest from members on all sides. Thank you very much for appearing and for answering our questions. We would certainly welcome you back at any time. Thank you to you and to Mr. Jenkins.

Members, we will suspend for two minutes and then resume back here shortly.

Thank you.

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(Pause)

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• (1000)

The Chair: Members, let's retake our seats.

We have two motions before us today.

I want to remind members that we do have an afternoon session from 3:30 to 5:30 to discuss the supplementary estimates. We have one hour with officials from Finance and one hour with officials from the Canada Revenue Agency.

Mr. Wallace.

Mr. Mike Wallace (Burlington, CPC): Is this future business?

The Chair: We're actually doing the two motions.

We have the notice of motion from Monsieur Laforest.

Monsieur Laforest, would you like to present to the committee your arguments for support of your motion?

[*Translation*]

Mr. Jean-Yves Laforest: Mr. Chair, the second motion actually applies to two categories of individuals. We would like to have some witnesses discuss such issues as the problem raised last year regarding the tax treatment of post-doctoral fellows.

These are people who have spent many years at university, particularly in universities in Quebec, have earned a doctorate and are now working as researchers. They are sort of being subsidized. They do not necessarily earn very much and they have no social security. In the past, they were entitled to an income tax exemption. This affects a small number of individuals, but it has a major impact on them. During the 2007 taxation year, a change was made to their tax treatment which significantly changed their living conditions. I would even say that some of these individuals now have to give up their research work for which they are receiving grants, and find another job that pays more. They are often unable to meet their needs when they are charged additional income tax, as they are already earning very little.

This situation has had a very harmful effect on research activities in universities in Quebec. We all know the extreme importance of the entire scientific research sector for the economy of the future. We should at least hear those who are directly affected and have their representatives explain the medium and long-term consequences of this situation. Then we could decide whether we should recommend that the Minister of Revenue amend the legislation and go back to the previous situation, so as to facilitate the hiring of these post-doctoral researchers.

The same motion also covers self-employed workers in computer science. And I will ask my colleague, Mr. Carrier, to explain what it is about.

• (1005)

Mr. Robert Carrier: This is a similar subject, Mr. Chair. It refers to self-employed workers in computer science who work in private companies on contract. In their case as well, the Canada Revenue Agency has changed their tax rate and has now prevented them from making deductions as self-employed workers. These are people with training, an office and secretarial service. Since they can work one year for a particular employer, the Revenue Agency wants to consider them employees of the company, not self-employed workers. That is quite detrimental to them. Some have received notices of assessment for several tens of thousands of dollars. These people have been seriously affected.

Rather than trying to deal with this issue at a private meeting with the minister, we would like to spend one meeting on it. The purpose would be to inform all members of Parliament of the issue. I am sure we are not the only people who have heard about the problem. Having a meeting on it would allow us to shed more light on the situation.

[*English*]

The Chair: Merci.

Mr. McKay, please.

Hon. John McKay: The motion raises an interesting question and, I would say, certainly to a discrete group of people a very important question. However, today the mover has the perfect opportunity to ask Revenue and Department of Finance officials about the specific issue, so you can allocate your seven minutes to asking that particular question with respect to that particular issue.

The second comment I'd make is that we're generally, as a committee, dealing with macro issues rather than what is a micro issue. As I recollect our work at trying to put together a schedule for the next number of months, we're pretty packed. Frankly, I don't see where you can squeeze in another hour to deal with that.

I would encourage the mover of the motion to ask that particular question of the officials today and see where that leads. It may lead somewhere and it may not lead anywhere at all.

The third point would be that if he wishes to have a private meeting with the minister, I'm sure the parliamentary secretary would be happy to arrange it.

The Chair: Thank you, Mr. McKay.

Mr. Mulcair.

[*Translation*]

Mr. Thomas Mulcair: Thank you, Mr. Chair.

The New Democratic Party supports the motion put forward by the Bloc Québécois.

I have had an opportunity to meet with some self-employed computer workers, and I know that this is a very real problem for them, despite the fact that these days self-employment is increasingly the norm. Having a meeting on the subject could provide us with information that could impact many other individuals, particularly in these difficult economic times, when more and more people will want to explore the possibility of self-employment. I think a meeting of this type is an opportunity we should not miss.

With respect to post-doctoral fellows, you need only to have met with some of them to understand their situation. In the past, when they received funding, it was always considered a scholarship, but all of a sudden, they are getting bills for thousands or even tens of thousands of dollars. This is devastating, because they are just beginning their career.

Even though the motion came from the Bloc Québécois, I would suggest that the term "*travailleur autonome*" is perhaps more appropriate. As everyone knows, the ADQ is pro-autonomy, but the Bloc Québécois is pro-independence. I would suggest the word *autonome* nonetheless, unless it is supported by the future leader of the ADQ, the member for Beauce.

[*English*]

The Chair: Thank you.

Mr. Menzies, please.

Mr. Ted Menzies: Once again, I am going to support Mr. McKay's suggestion.

I certainly recognize that it is an issue. I personally haven't heard this, but thank you for raising it.

In the interests of how much we have to get done at this committee, can I suggest that we perhaps ask you to withdraw this temporarily? If you can share the details of your concern with me, I'll take it to the revenue minister and ask if we can sit down and meet with him. If, after that, you still want to bring it forward, then bring it back.

I think we all recognize how important it is to get our budget implementation act through. I'm not trying to take away the importance of this, but can we try another process first? If not, then you're welcome to bring the motion back. It's just a suggestion.

● (1010)

[*Translation*]

The Chair: Mr. Laforest.

Mr. Jean-Yves Laforest: Mr. Menzies, thank you for saying that you do consider this an important problem. In fact, one of the letters was forwarded to all party leaders at the beginning of the election campaign last fall. Your party is aware of the issue. I'm sure some individuals are familiar with the correspondence on this issue.

I would be prepared to accept the suggestion, subject to bringing the issue before the committee again if in the end we find that the process you are suggesting is not necessarily the best one. I very much appreciate your suggestion. We can talk about it again, and ensure that some progress is made on this issue.

The Chair: Mr. Carrier.

Mr. Robert Carrier: I too would like to thank Mr. Menzies for his open-mindedness about this problem. If I understood correctly, he is prepared to organize a meeting with officials from the Revenue Agency, or even with the minister. We would also need to hear from some of the workers themselves, to get a better explanation of their situation. In fact, a request for a meeting was sent to the minister's office a month ago.

We presented this in a motion in an effort to speed up the study, but I also note that the committee has a very full schedule. In any case, in an effort to deal with this problem, I think it would be adequate if you were take steps to speed up the meeting request that has already been sent to the minister.

[*English*]

The Chair: Okay, *merci*.

Mr. Menzies.

Mr. Ted Menzies: The only promise I will make is the promise to bring it to the minister. I can't promise that he will facilitate a meeting, but I promise that I will take it to the minister and I will get back to both of you. If that doesn't work, then we'll come back to this process.

Thank you.

The Chair: Monsieur Laforest, the parliamentary secretary will take this to the minister. If you're not satisfied, then you, as the mover, will bring the motion back to committee.

We'll now go to the second motion by Mr. Pacetti.

I'll ask Mr. Pacetti to introduce his motion and argue why the committee should adopt it.

Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.): Thank you, Mr. Chair.

It's not going to be much of an argument; it's just to clarify the misunderstanding that I think occurred last meeting. I want to make sure that we don't embarrass the committee in the future.

I haven't changed the order. Basically the only thing I've done is broken down round three into round three and a round four. If, at your discretion, you feel there is enough time to go to a third round, that third round will be Liberal, Conservative, and the fourth round will be Liberal, Conservative, NDP. It's just to provide you with more parameters, but I haven't changed the order or the number of minutes.

This is not debatable; it's just to clarify what we've already passed in routine proceedings.

The Chair: Thank you.

Mr. Mulcair.

[*Translation*]

Mr. Thomas Mulcair: I'm always suspicious when I hear a member from the new Liberal-Conservative coalition say that something is not debatable, that it is just for our own good. I would like to point out, Mr. Chair, that this was passed very recently. I believe our colleague, Mr. Pacetti, is calling you incompetent. You are doing a very good job, even though sometimes we do not agree with the way you enforce the rules, in which case, we point this out to you.

Take a good look at what he is trying to do here. He is trying to concoct a system that will favour the Liberals. They have exactly twice as many seats as the NDP. Take a good look at the way he likes to present this. When a minister appears before the committee, the Liberals would have the floor first on the first round; on the second round, it would be the Liberals once again; on the third round, it would be the Liberals; and on the fourth round it would be the Liberals once again. That means that the Liberals would easily have four turns, as opposed to one for the NDP.

That is what I protested last time, when you added on some time. It seemed to me that given the way things were presented, that was the least that could be done—if you were to extend the time, everyone should at least get equal treatment. You said that quite eloquently at our last meeting.

Now his way of breaking down the time simply makes things worse. It is even clearer that he will be guaranteeing that the Liberals will get much more than they are entitled to. They are having trouble dealing with the fact that the Liberal Party of Canada had one of their worst election results in history. This party has one quarter of the seats in the Parliament of Canada.

The Liberals must face reality and accept the fact that the NDP has one seat to their two. As a result, giving the Liberals four questions to one for the NDP should not be the rule.

I absolutely reject any attempt to play with what has already been passed. The member's explanation attempting to water things down is not convincing. We must stick with what the committee has just decided.

● (1015)

[*English*]

The Chair: *Merci.*

Mr. Kramp, please.

Mr. Daryl Kramp (Prince Edward—Hastings, CPC): Thank you, Mr. Chair. I'll speak about when the regular witnesses come, rather than the minister. I'll leave that to a further discussion.

I wonder if Mr. Pacetti would be amenable to an amendment, basically for two reasons, one being the principle of fairness. I've just gone through some other committees. As a matter of fact, the amendment that I'm going to suggest is one we just adopted at the public accounts committee and it is really reflective of the seat count in Parliament generally. So I'd like to offer that for your suggestion right now, under the two principles—one, fairness; and two, representation that is there—with the recognition that it would change the seat count from Mr. Pacetti's count.

I'll go through the illustration. The NDP would still have two speakers in the first round. The Bloc would still have two speakers in the first round. But instead of the Liberals and Conservatives both having four in the first round, I would propose to go three and five, and I would propose that it would go as follows.

In the first round, as Mr. Pacetti has, it would be Liberal, Bloc, Conservative, NDP, so that we can rotate through. In the second and third round, I propose that we simply change the positions of the NDP and the Conservatives. So it would go Liberal, Bloc, NDP, Conservative; in the second round, we'd go Liberal, Conservative, Bloc, Conservative; and then in the third round, we'd go Liberal, Conservative, NDP, Conservative.

I'd be pleased to draw that out for you or say it more slowly, but it gives us one after the other and it just rotates straight through. The government comes in after the opposition, we get the three full rounds in, and everybody is represented fairly. It has already been adopted by other committees, and I think it's a pretty good template. It really didn't have a lot of argument, because it was inherently fair. It represents the composition of Parliament now, to the broadest extent, and I would ask that Mr. Pacetti entertain that thought.

The Chair: Thank you, Mr. Kramp.

Mr. Pacetti, do you want to respond?

Mr. Massimo Pacetti: Yes. I don't want to go back and change it. I think the amendment is even out of order. I didn't want to reorder what we had already decided; I just wanted to break down the second round into a second, third, and fourth round, so it clarifies your role as chair. I didn't want to rejig the speaking order. I didn't want to touch the routine proceedings, because I do agree with what Mr. Mulcair has said. We did adopt these routine proceedings just last week, so it was just to clarify something.

If it's too complicated for this committee, I'm willing to drop it, but I think we should just vote on the motion.

The Chair: Thank you.

Mr. Wallace, please.

Mr. Mike Wallace: Thank you. I appreciate Mr. Pacetti's attempt.

I'll be frank with you. I don't mind what he has laid out here. We tried it before. But today was a typical example of why I think maybe there would be an exception or an additional rule if the witnesses were here for only an hour. If you look at the number of speakers, we split the time so we could get two Conservatives—well, we got three Conservatives, but we had two time slots in that hour. If we had a witness for only an hour, such as the Bank of Canada, if the first round was only five minutes and not seven, I think we could have squeezed in another two speakers. I still could volunteer not to speak. So it's at least one more Liberal or one more Conservative.

We didn't get enough time. We had limited it to an hour, and the chair did what this committee had put out in terms of an agenda. With a two-hour meeting with the Bank of Canada, for example, we would have gotten through a number of these rounds if you split them out, which would have been fine. But with one hour, it didn't seem fair to me that we had only a couple of speakers. I would suggest that we go with what you have here, unless the exception to the rule would be that if an officer of Parliament, or whatever we call them, is here for just an hour, we reduce the first round from seven to five minutes. That would be my suggestion.

● (1020)

The Chair: Mr. Kramp's amendment is in order, so we have to deal with that amendment first. Unless I see further speakers, I'll call the question on Mr. Kramp's amendment.

Do you want to repeat your amendment, Mr. Kramp?

Mr. Daryl Kramp: Yes, I will repeat it.

In the first round we would have Liberal, Bloc, NDP, Conservative. In the second round we would have Liberal, Conservative, Bloc, Conservative. In the third round we would have Liberal, Conservative, NDP, Conservative.

This reflects the balance in the House and it is what other committees, such as the one I just came from, have adopted.

The Chair: On the amendment, Monsieur Laforest.

[*Translation*]

Mr. Jean-Yves Laforest: Mr. Chairman, given that Mr. Pacetti has stated he intends to withdraw his motion if it were not acceptable, I fail to see why we are discussing the amendment, which should also be withdrawn. If the mover withdraws his motion and if we are discussing an amendment, it is as though the amendment were the main motion. In any case, I will be against this.

[*English*]

The Chair: I understand Mr. Pacetti said he might, but he in fact did not withdraw his motion.

[*Translation*]

Mr. Jean-Yves Laforest: I see.

Mr. Kramp's motion will reduce the amount of time on the first round. Everyone had agreed that seven minutes was a minimum amount of time for the first question. Quite often, parties do not have enough time to state their position, because they can only ask one question each on the first round. Consequently, I will be voting against the amendment. In any case, we have already discussed this.

[*English*]

The Chair: Mr. Pacetti.

Mr. Massimo Pacetti: Just to clarify, is Mr. Kramp's amendment in order? Can I just ask why?

The Chair: It's on the same subject as the motion you brought forward.

Mr. Massimo Pacetti: I will pull my motion. I didn't think we were going to debate this at length and have more of a disagreement than an agreement, so I wish to pull my motion.

The Chair: Okay.

We need unanimous consent to withdraw the motion. This should not be an item for deep division within the committee. I don't know if members talk to other members before the meeting, but I would encourage you to have some discussions outside of the committee. Frankly, I don't think the chair should be determining the speaking order. If it's a five-five vote, that's what I will be doing, and that's not a position that the chair wants to be in. The committee should determine that. I would just encourage you to do what we did in the last committee I was in, which is to have off-line discussions, talk to your colleagues outside the committee, and see if you can come to a consensus. It's best to get a consensus on this.

Monsieur Laforest.

● (1025)

[*Translation*]

Mr. Jean-Yves Laforest: You said that unanimous consent was required to withdraw the motion, Mr. Chair. At Mr. Menzies' request, I withdrew my motion, and you did not ask for unanimous consent. So I do not understand why you are asking for it now.

[*English*]

The Chair: I said *d'accord avec*, and all the committee indicated to me verbally and non-verbally that they agreed that your motion should be withdrawn. I understood that you wanted it withdrawn and nobody objected to that. So I took that as unanimous consent.

[*Translation*]

Mr. Jean-Yves Laforest: I see. If you had asked for it, that is fine. I did not hear that.

[*English*]

The Chair: Okay.

Mr. Pacetti is withdrawing his motion. Is there unanimous consent to do so?

(Motion withdrawn)

Mr. Ted Menzies: Mr. Chair, further to that—and I recognize that we may have a bit of a problem here—do we actually need to have that repeated? Do we have to have it clarified? If there is unanimous consent to a motion, do we need to see it in writing? Are we all on the same page here?

The Chair: Well, we go back—

Mr. Ted Menzies: No, what I'm saying is that going further in this committee, to make sure that we don't have misunderstandings, is there unanimous agreement? I don't want to suggest that we need to have recorded votes on all of this. It's to protect you, Mr. Chair. Do we need to make sure we have agreement on a motion that was put forward, or a position that was taken by this committee?

The Chair: Unanimous consent is required to withdraw the motion. Mr. Pacetti asked that the motion be withdrawn. Unanimous consent was granted, so the motion is withdrawn.

Mr. Ted Menzies: It's just to make sure we all hear the same message.

The Chair: So we will revert to the normal witness.

I would like to remind members that we expect to get Bill C-10 some time in the near future. I know that Mr. McCallum and Mr. Menzies have submitted some witness names, but if anyone has any for Bill C-10, please get them in to the clerk as soon as possible.

Thank you.

The meeting is adjourned.

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