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Chair

Mr. James Rajotte

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● (0900)

[*English*]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): I call to order the thirteenth meeting of the Standing Committee on Finance. Pursuant to Standing Order 108(2), today we're doing a study on measures to enhance credit availability and the stability of the Canadian financial system.

This morning we welcome four organizations.

First of all, we have the Office of the Superintendent of Financial Institutions of Canada, with the superintendent, Ms. Julie Dickson.

We have Export Development Canada, with the president and CEO, Mr. Eric Siegel.

The third organization is the Canadian Centre for Policy Alternatives, with the Honourable Douglas D. Peters. As a former secretary of state for financial institutions, he should know the subject very well. We also have with us an economist with that organization, Mr. Arthur Donner.

The fourth organization we have with us is the Canadian Automobile Dealers Association, with the president and the CEO, Mr. Richard Gauthier, and their chief economist, Mr. Michael Hatch.

If you have an opening statement, it would be helpful if we can keep it as close to five minutes as possible, but I will allow you some leeway today.

We'll start with Ms. Dickson and work our way down.

Ms. Julie Dickson (Superintendent, Office of the Superintendent of Financial Institutions Canada): Thank you very much for inviting me.

[*Translation*]

The Office of the Superintendent of Financial Institutions is the main agency responsible for supervising and regulating deposit-taking institutions, insurance companies and federally regulated private pension plans.

[*English*]

The current economic situation will challenge all financial institutions, both around the world and here in Canada. As has often been noted, the Canadian financial system went into the economic turmoil very well capitalized, and this has helped it deal with the first wave of global financial market turmoil relatively well compared to many of its global counterparts.

The second wave, a serious economic downturn, is hitting while global financial market turmoil remains ongoing. This will affect both capital levels and profits at our banks.

The extent and severity of the impact on our financial institutions is hard to predict, but the Canadian banking system is better positioned than most other systems to deal with this second wave. The system is very well capitalized and has avoided the need for government injections of capital, unlike most advanced systems in the world. We have also seen that Canadian institutions have been successful in tapping the markets for additional capital.

Many past policy and regulatory decisions made in Canada have served the system well, including having robust capital targets, paying attention to the quality of capital, such as requiring a high percentage of common shares in the capital base, and having a prudent leverage ratio in the banking industry. At the same time, the ground continues to shift in ways that are hard to predict.

Initiatives by the government and the Bank of Canada are expected to be positive for the Canadian economy. While this is good news, our message to institutions is that it is also prudent to incorporate adverse outcomes in their planning, even if they think the economy will recover quickly. They need to consider a variety of outcomes that reflect their own unique situations and they need to stay on top of risk as it evolves.

OSFI continues to do its own analysis of the condition of financial institutions and of the overall financial sector. Such efforts are necessary, as Canadian financial institutions are entrusted with the life savings of many Canadians.

Canada is not alone, as you know, in this economic turmoil. It is a global problem and there are a host of issues being worked on by the Financial Stability Forum, the G-20, the Basel committee, and other international bodies. OSFI is involved with all of these efforts to identify what went wrong and what changes should be made to avoid a repeat of global market turmoil in the future. The international work also provides an effective means to stay on top of what is going on in other systems so that we are better placed to assess the Canadian financial system.

I would be pleased to answer any questions the committee might have.

Thank you.

● (0905)

The Chair: Thank you very much, Ms. Dickson.

We'll go to Mr. Siegel, please.

[*Translation*]

Mr. Eric Siegel (President & Chief Executive Officer, International Trade, Export Development Canada): Mr. Chair, ladies and gentlemen of the committee, thank you for the opportunity you've given me to speak to you here today. Your examination is timely and important, particularly in the current economic situation.

[*English*]

Access to credit is vital for companies of all sizes. As a crown corporation, Export Development Canada plays an important role in helping Canadian companies access credit and protect themselves against a variety of risks. This is our mandate. It is what the Government of Canada created us to do nearly 65 years ago.

Briefly, EDC provides: loans to foreign companies looking to buy goods and services from Canada; working capital loans to Canadian companies to help them fulfill their export contracts; loans and insurance to help Canadian companies invest abroad; guarantees to banks, making it easier for them to lend; insurance to protect Canadian companies against a variety of risks, notably non-payment; bonding services to help Canadian companies guarantee their performance; and finally, equity solutions. We do all of this directly and in partnership with Canadian and international financial institutions, and we do it on commercial terms without annual appropriations from Parliament.

As you may be aware, EDC has just come through a year of record performance, and here are some of the highlights.

EDC served over 8,300 Canadian companies, an 11% increase over 2007. EDC facilitated $85.8 billion in exports and investments, a 23% increase over 2007, and this includes $22 billion in emerging markets. It also includes $14 billion in business, in partnership with Canadian and foreign banks and with surety companies. So all told, in 2008 EDC added nearly $16 billion in new commercial support for Canadian companies.

In facilitating this business, we remained focused on our public policy mandate and how our activities provide benefits to Canada. In 2008 EDC helped generate 4.4% of Canada's GDP and supported some 572,000 Canadian jobs. That was 2008, and what we saw over the course of the year is that as conditions grew more challenging and risks increased, we were needed more. However, by working closely with our customers and financial partners, we were able to respond, taking on risk, adding capacity, and filling gaps for companies of all sizes. These results were achieved under EDC's traditional export-focused mandate, within its established limits, and through its existing financial capacity.

What I would like to do now is take a moment to describe how the measures introduced in Budget 2009 will help us do even more. As you know, the government has proposed a two-year temporary expansion of EDC's mandate. With this additional flexibility, EDC will bring capacity to domestic transactions that are creditworthy and supported by a viable business model. Importantly, all of this will be done in a manner that is complementary to the services provided by both the private sector and the BDC. Through the business credit availability program, or BCAP for short, the banks, EDC, and BDC will be able to consult, collaborate, and bring capacity to the market. At the same time, EDC is working with the private sector insurers to ensure its activities support and complement those already offered. To help us deploy this enhanced capacity, the government has proposed raising EDC's contingent liability limit and shared capital limits, and, if necessary, its borrowing limits. These measures build on the recent $350 million capital infusion that was announced in the November economic and fiscal update.

EDC's recent work in the automotive sector is a good example of how this additional capital can help EDC expand its service offering, and I would be pleased to elaborate on how we are working in the automotive sector with companies in this important area.

As we move through 2009 we will continue to identify opportunities to provide companies with the credit and insurance coverage they need to survive, to compete, and to succeed. This is what we're doing right now. Although EDC does not yet have the new powers proposed in the budget, we are certainly not standing still. The corporation and its employees are stepping up in response to the needs of our customers.

● (0910)

Let me close by providing you with a snapshot of our activity in the first two months of this year. Already this year, BDC has undertaken $9.4 billion in new business, an average of $230 million of new business every single business day. EDC has already added 419 new customers to its existing customer base and we have facilitated over 500 transactions in partnership with banks and surety companies. As I said in my introduction, our job is to provide credit and protect against risks.

[*Translation*]

This is the mandate entrusted to us by Parliament, which with every passing day we do our best to fulfill.

Thank you. I will now answer your questions.

[*English*]

The Chair: Thank you, Mr. Siegel.

We'll go now to Mr. Peters, please.

Hon. Douglas Peters (Canadian Centre for Policy Alternatives): Thank you, Mr. Chairman, members.

Dr. Donner and I are pleased to be asked for our views on the very important subjects under review by your committee at this time. We do not need to emphasize the extremely fragile world economic situation, about which all are aware. That world situation impinges on the lives of all Canadians, as I'm sure all of you hear daily from your constituents and from the media.

Dr. Donner and I have recently published two papers, which were accepted for publication by the Canadian Centre for Policy Alternatives. We're not here representing them but rather as two individual economists.

Our first paper concerns the effect of monetary policies when the central bank interest rate is zero or close to zero. Our second paper, which we have made available to you today and which will be published later this week, concerns the effect of central bank zero interest rate policy on fiscal policy. The fiscal policy paper particularly analyzes the different effects on the economy of programs of government spending as compared to tax cuts.

The recent central bank situation in both the United States and Canada is unique to North America. Both countries have serious recessions, price deflation, and central bank interest rates at or near zero. In these circumstances, both monetary and fiscal policy must work under very different parameters. It is the objective of our papers to examine those new relationships.

Our paper begins with the simple idea that in this deep recession both monetary and fiscal policies are needed to stimulate the economy out of this recession and to prevent the deflation from getting worse. The U.S. Federal Reserve has not only taken interest rates to zero but instituted a policy of quantitative easing. That means the purchase of large quantities of assets from financial institutions in order to maintain and improve the working of financial markets. In Canada the central bank has now reached the limit, largely, of its policy, with the rate at almost zero, and as the bank has recently stated, it must now consider other policy moves such as quantitative easing.

In our second paper we examine the effect on GDP of the two major types of stimulus proposals. The recent budget supplies the expected results of budget measures, as does the U.S. Congressional Budget Office. Both indicate a clear preference for expenditure measures over tax cuts as the best way to spur the economy to recovery.

A recent and provocative discussion paper from a New York Federal Reserve economist states that with central bank rates at zero, we are in a very different ball game. The paper analyzes the new conditions in the United States and poses the clear possibility that tax cuts may cause a contraction in the economy; that is, they might actually reduce GDP and worsen a recession. The reason is that in a deflationary environment, tax cuts may reduce inflationary expectations, thus raising real interest rates. Higher real interest rates would tend to postpone spending and reduce GDP. The much greater effectiveness of infrastructure spending will likely be the key to a rapid shift out of this deep recession. If new initiatives are needed, as is likely, then they should be in the area of federal spending on infrastructure programs.

Our papers conclude that both quantitative easing and substantial fiscal stimuli are absolutely necessary in current circumstances. The depth and duration of the global recession combined with the financial credit crisis mean that governments and central banks should risk providing too much stimulus rather than risk providing too little stimulus.

Despite the fact that Canada's financial system, especially the major banks, is in better condition than many around the world, our system is inextricably linked to the world financial system, and Canada cannot risk being less concerned about our financial institutions than are other countries. Credit interest rate spreads in Canada are unhealthily wide, suggesting that our financial system is also under strain. These are difficult times for policy-makers, and their decisions need to be made with great care.

We would be glad to answer any questions you have.

● (0915)

The Chair: Thank you very much, Mr. Peters.

We'll go to Mr. Gauthier.

Mr. Richard Gauthier (President and Chief Executive Officer, Canadian Automobile Dealers Association): Thank you, Mr. Chairman.

[*Translation*]

My name is Richard Gauthier. I am the President and Chief Executive Officer of the Canadian Automobile Dealers Association, commonly known as CADA.

[*English*]

CADA is the national association for franchise automobile dealerships that sell new cars and trucks. Our 3,500 dealers represent a vital sector of Canada's economy. Through our dealers, we are represented in nearly every community in Canada. When you think of our members in your riding, visualize the franchise Ford dealership or the local Honda store. Our members represent all 21 manufacturer brands available in this country.

With me this morning is our chief economist, Michael Hatch. This morning we will outline the key credit issues facing our dealer network in these most challenging times.

The retail automotive sector employs over 140,000 people in Canada and directly contributes a huge portion of its gross domestic product. It might be helpful for me to underline for you as MPs that it is important to know that dealerships are not company stores. Dealers are independent businesses that make significant investments in land, buildings, equipment, and personnel, and provide manufacturers a retail presence in thousands of communities across the country. Dealers do not take vehicles or parts on consignment from their manufacturers. In fact, dealers assume the risk of financing inventory. No manufacturer has the resources to internalize the costs that dealers bear in this regard.

It will come as a shock to no one in this room today that given the huge costs of financing dealer floor plans and operations, which can run into the tens of millions of dollars per store, predictable and accessible credit is the oil in the retail auto industry's motor. In my daily contact with dealers these days from one end of the country to the other, without a doubt the number one problem facing their businesses is deteriorating credit conditions. Our office speaks to literally hundreds of dealers every week, and not a conversation goes by when this issue, above all others, is not raised. This is not only happening to dealers on the brink. It is happening to sound, solvent businesses, often with decades-long relationships with their financial institutions and the very communities represented at this table.

Given what's been happening in credit markets in the past year, I'd like to congratulate the government on the $12 billion Canadian secured credit facility announced in January's budget. CADA communicated the need for just such a facility in the prebudget period, and the government delivered. As parliamentarians, you will know that the easiest part of any program is announcing it. Dealers across the country are still facing tight and unpredictable credit conditions from captive finance companies and chartered banks.

While we recognize the need for diligence in designing any program that allocates tax dollars, we must stress the urgent nature of the problems facing Canada's auto dealers. The government has to find a way to get credit flowing again as soon as possible and get this $12 billion into the real economy now. This program was designed as an economic stimulus, and unlike expenditure measures, the credit facility will provide a profit for taxpayers.

I'd like to thank this committee for its time this morning. I will now cede the floor to Michael Hatch, our economist.

Mr. Michael Hatch (Chief Economist, Canadian Automobile Dealers Association): Thank you.

Let me start by addressing some consumer issues. We must not let current market conditions facing manufacturers and dealers distract consumers from the fact that it's a very good time to buy a car in Canada. In fact, the two sides of the situation are closely related. Cars have not been as affordable in a generation as they are today. Statistics Canada has reported that the price to buy or lease a car has declined to its lowest point in 24 years in its ratio to personal disposable income.

In 2008 it took on average 18.2 weeks of pre-tax income to purchase a new vehicle in Canada, versus 21.5 weeks in the United States. Add this to the fact that all manufacturers are aggressively seeking new business and the end result is a very favourable set of conditions for consumers in the marketplace. Quite simply, there has never been a better time for consumers to enter the market.

That said, it was during the fall of last year that we first started hearing on an almost daily basis that tighter credit was becoming a serious threat to the retail car business in Canada. Not coincidentally, this is when sales started to drop.

We understand that the deterioration in credit conditions is not the only thing putting downward pressure on sales. There are also the forces of increased unemployment and depressed consumer confidence. However, a tightening of the finance screws is putting in doubt the ability of hundreds of our members to finance future sales. Dealers are being held hostage and are being forced to deal, with little or no warning, with unjustified hikes in their rates that are counted in the hundreds of basis points, while at the same time the Bank of Canada rate is approaching zero.

On credit lines often worth tens of millions of dollars, these hikes can mean the difference between survival and the closing of doors in times like these. As Mr. Gauthier said, this is happening to dealers who are solvent and have rock-solid repayment histories and long-standing relationships with their communities and financiers.

The dual effect of tighter credit and decreased sales is a devastating combination for our dealers. As you all know, we need a way to stimulate the economy and improve consumer confidence. There is no better way to do this than to provide incentives for new car sales. The most powerful way to do this is to design a robust vehicle scrappage program. The current one, worth just $300 per vehicle, does not provide enough incentive to get any old cars off the road other than those that would be retired through natural attrition.

We believe a scrappage program worth no less than $3,000 for the replacement of very old cars with new ones would provide a powerful kickstart to sales when it is needed most and would help achieve important environmental objectives.

Thank you very much. We'll now take your questions.

● (0920)

The Chair: Thank you very much, gentlemen.

We'll start with Mr. McCallum, please, for seven minutes.

Hon. John McCallum (Markham—Unionville, Lib.): Thank you, Mr. Chair.

Perhaps I could ask Mr. Siegel a question. Last week I asked questions to BDC. I mentioned at the beginning that I had heard anecdotal evidence from the business community that they were not acting very quickly, and that certain people had said they needn't apply if they were not already customers. Just to clarify, let me say that I have heard no such comments from the business community on EDC.

But I'd like to still ask you the same general question. When the government commits funding, we want to know how fast that money gets out the door, whether it's for infrastructure or for credit. I thought your statistics were impressive; EDC already this year has undertaken $9.4 billion in new business. But my question is, if the government has committed what I am told is something on the order of $12 billion in new credit for EDC and BDC combined, is there some way of identifying whether the particular new money related to the budget is out the door, already lent? And is there anything you can say about the speed with which you think that may happen, such as that it will be six months, twelve months, three months—that kind of thing?

Mr. Eric Siegel: Mr. Chairman, I thank the honourable member for his question.

Let me talk about how EDC is stepping up in this and how that stepping up will continue through 2009 and will continue to unfold when and if the new legislation is passed, thereby broadening EDC's powers further.

Go back to 2008. Our forecast was for an economic slowdown based on a global slowdown, and we expected exports to drop. We actually projected that our business volumes would be lower than they were in 2007, not higher. So as I already indicated, we obviously saw a huge surge in our business, particularly in the third and fourth quarters of the year, and that resulted in record business volumes and record jumps in customers, and so on.

Just to put some colour on that, look at things like EDC's receivables insurance program. We saw a 50% increase in the number of applications to EDC for credit insurance. There was a 62% jump in the fourth quarter alone. We saw a 19% increase in the number of credit approvals we actually issued, and again, a 31% jump in the fourth quarter. That extended to things like our relationship with the banks, which, through their confirmation business, are really confirming the letters of credit that are the payment mechanism for exporters. So they play a very important role. Last year we saw an 80% increase in the number of transactions we did with banks in that area, and in volume terms, that was more than a doubling of the volume of activity, taking us to over $5 billion in documentary credits we were covering or supporting.

Obviously, we saw at the same time that as the risk increased, so too did the risk to EDC. Not only were they riskier transactions we were taking on, but the rating of those transactions was lower, and that continued to lower through the year. The number of claims EDC began to face began to rise. We had a 13% increase last year in our claims but a 45% jump in the fourth quarter. I could go on. But the first thing to say is that really, before we received any capital infusion from the government, we were using our existing capital base to step up and write more business as it became riskier and as others basically vacated the field or didn't have the capacity.

So as we move now into—

● (0925)

Hon. John McCallum: I'm sorry to interrupt, but my time is limited. I am impressed with all the statistics of growth you've given, and I'm not in any way trying to criticize EDC. It sounds as if you're doing a very good job. My question is a narrower one, because our job is to monitor the government in the implementation of its budget. The narrower question is, in terms of the incremental capacity you have as a consequence of the budget, whether this committee can monitor the speed with which EDC takes up that additional capacity. And would you have any projections on that subject?

Mr. Eric Siegel: Yes, I think the committee can monitor it in a few ways. One, once the legislation is passed, EDC will be able to enter into the domestic market in three ways. One will be by way of re-insurance that we bring to the domestic credit insurance market. We will be tracking both the number of transactions, or the number of exporters that are supported by that, and the volume of support. That will be information we will report.

Similarly, we will be entering into re-insurance arrangements with the Canadian surety industry to provide re-insurance capacity to them. There, again, we can measure the amount of insurance written as a result of EDC's additional capacity and the number of players.

Finally, the legislation would give us relief from regulations in terms of participating as a domestic lending party. There we will be doing two things: guaranteeing banks to provide lending, and lending directly ourselves. As I mentioned before, the business credit availability program, the BCAP, actually has an obligation to measure and record the amount of lending, the activity, and the type of lending that's going to be done and to report that up to Parliament. So EDC's reporting will be both in parallel to that and part of that.

Hon. John McCallum: Thank you very much.

I think I have one minute. This is to Ms. Dickson.

Ms. Dickson, I'm not sure that it's been explicit, but it's certainly been implicit that there's a certain tension between the Bank of Canada, which wants the banks to lend more, and OSFI, which focuses more on maintaining high capital ratios for the sake of prudence.

My question to you is whether, at this time of credit scarcity, there might not be such a thing as capital ratios that are too high. Do you see a tension or a conflict there, or competition, between, on the one hand, your desire to have very high capital ratios, and on the other hand, the desire to get the money out?

Ms. Julie Dickson: I think the governor and I are on the same page. We have different mandates. The Bank of Canada obviously has a broader mandate over the whole economy. Our mandate is safety and soundness of financial institutions, banks, and insurance companies.

The interesting feature we have seen is that the market has really been pushing up capital levels, not regulators. Regulators have agreed around the world that this is not the time to increase capital ratios, as that could make the situation worse.

I think Canada has benefited because we went into this with higher capital ratios than other countries. That has left our banks in a position to continue to lend, whereas I don't think banks in other countries have been able to lend to the same degree.

The Chair: Thank you.

Thank you, Mr. McCallum.

Monsieur Laforest.

[*Translation*]

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

Good morning, everyone.

Mr. Siegel, you listed the services you offer companies. You said that you provide commercial financing and insurance to help Canadian companies export and invest abroad. Later you said you provide loans to help Canadian companies invest abroad.

When you grant loans to companies investing abroad in order to produce goods, do you make sure that this does not result in a loss in the same sort of jobs in Canada? Foreign investment stimulates a business, but does it do so at the expense of jobs held in Canada?

● (0930)

Mr. Eric Siegel: Thank you for your question. I'm going to answer in English.

[*English*]

Global trade today, globalization, means that markets have become very integrated, and this is a concept that EDC has talked about: integrative trade. So in addition to export, for companies to be successful in their international endeavours, in many cases they have to invest abroad. That investment may be a result of gaining access to a country where you have to be in that country in order to be able to sell. It may be a question of being part of a global supply chain, where the principal owner of that global supply chain insists that you locate regionally with them in order to be a supplier. It may be that there are barriers to being able to gain entry into particular markets for which investment abroad is insisted. Finally, there may be cost factors associated with the overall cost of competing in a global supply chain for which a portion of one's overall product base is achieved through importation, as opposed to 100% being done in Canada.

So EDC's support for Canadian direct investment abroad is really with the intent of improving the competitiveness of Canadian companies, always with a view to looking at what benefit is derived back here in Canada. In fact, we have a Canadian benefits policy that governs all of our activities, so we evaluate transactions and determine the benefits that will ultimately be derived here in Canada.

On content, what is manufactured right here in Canada is an important part of that, but there are other aspects that can contribute to it. It could be research and development that's being done here; it could be gaining a world product mandate or helping a small business get into that market. So we are very concerned with not depleting jobs in Canada, but we also recognize that the way to grow jobs and competitiveness here in Canada is to have Canadian companies invested internationally so they have maximum access to markets, particularly emerging markets. These are the highest-growth markets.

[*Translation*]

Mr. Jean-Yves Laforest: I am going to clarify. By helping a manufacturing company from Quebec or another province to export and invest abroad, is it possible that the company may end up putting a complete stop to its operations in Canada and that everything it used to produce here may be manufactured elsewhere from now on? Are you mindful of this possibility?

[*English*]

Mr. Eric Siegel: Companies will and must seek out the most competitive way to organize their production to be successful in the international market. In globalization it has meant that companies have had to look at how they globalize their production at the same time as globalizing their sales. There are many examples of companies that don't manufacture in Canada but make very important contributions.

In Quebec, Ericsson, which is a foreign telecom company, maintains almost 2,000 research and development jobs in Canada that we benefit from, but it does not manufacture its product in Canada. In fact, it manufactures its product in places like China, India, and elsewhere. Bombardier maintains its overall administrative head office and principal R and D capabilities in Canada, but maintains manufacturing facilities throughout the world.

We are looking to maximize the benefit Canada derives where we can, but those jobs may take different forms than just manufacturing.

● (0935)

[*Translation*]

Mr. Jean-Yves Laforest: That answers my question well enough, thank you.

The Chair: Mr. Laforest, you still have one minute.

Mr. Jean-Yves Laforest: Mr. Gauthier, you ,mentioned an aid program worth $12 billion. Maybe it was Mr. Hatch who talked about it; I don't remember now.

You said you didn't know how this program would be implemented. You made various suggestions, such as a program to buy old cars. Is this aid program enough? Would you have had any specific recommendations to make on how it should be run? We fully understand that the problem of access to credit is affecting a lot of businesses throughout the country.

Mr. Richard Gauthier: Thank you, Mr. Laforest. That is a very good question.

The primary objective of the Canadian Secured Credit Facility of $12 billion is to make more cash available to the financial companies dealing daily with automobile dealers in Canada. At present, these companies cannot access the financial market. They aren't able to sell their commercial paper, which normally would be purchased by insurance and pension-fund companies, etc. This market has completely dried up on account of the world credit crisis we're now going through.

By means of the Canadian Secured Credit Facility, the Government of Canada is going to take the place of these investors temporarily and purchase their commercial paper. This way, the financial companies that could normally acquire cash on the open market to finance dealers' operations will now have access to the cash required to continue to enable dealers to build an inventory and offer attractive incentives to consumers.

The $12 billion will be used solely for this purpose. This program has no other raison d'être. We're encouraged by the fact that the government has seen the possibility of becoming temporarily involved in this program. I say "temporarily" because, as soon as the economy recovers, the investment market will no doubt return and the government will have a natural out. We don't expect that this program will have to last for more than two or three years.

[*English*]

The Chair: Thank you.

We'll go to Mr. Wallace, please.

Mr. Mike Wallace (Burlington, CPC): Thank you, Mr. Chair.

I want to thank all of our guests today for coming this morning. I appreciate the comments from Mr. Siegel that you could move as soon as the budget gets passed, and we're hoping that happens expeditiously through the Senate.

The questions I have are for Ms. Dickson.

I was fortunate to be on the finance committee last year when you were in front of us talking about non-bank asset-backed paper. You had four or five actions that OSFI was going to be taking, and you concluded that the freezing of the non-bank ABCP market had rightfully led to a lot of questions. This was prior to what has happened with the ability to secure ties or sell the commercial paper that was available for car loans and leasing companies and so on, including the financial arms of the car manufacturers. But we're now hearing that has dried up and it's very difficult to get credit or be able to provide the cash to be able to provide those leases.

I may be concerned unnecessarily with the $12 billion in secured credit facility that we're offering in the budget, but here's where my dilemma is. We've had a problem with asset-backed paper, and we actually had a Montreal accord to try to solve that problem for investors. Then we had an economic downturn, and now we're talking about the need for asset-backed paper to be able to provide for—since you're here we'll use this example—the automotive community to move product off their lots.

What is OSFI's position on asset-backed paper? How does it relate to what has changed between what occurred last year when we had difficulties and the position we're in now? Do you have any comment for me to help me understand why everybody is coming to us?

I'm on the automotive subcommittee—I've been sitting in on those meetings—and every one of the manufacturers has been talking to us about providing this credit. They're very happy that this credit facility is in the budget and that this asset-backed approach to creating the cashflow to allow for leasing and selling is there.

From your perspective, can you tell me what I'm missing, and whether we did the right thing? Did we improve things so that this will work? That's my question.

● (0940)

Ms. Julie Dickson: I think in Canada and around the world there continues to be aversion to taking risk. Investors continue to be concerned about risk and they're being very careful in terms of what they invest in.

The Canadian bank ABCP market continues to perform, though certainly not as well as it did prior to the global market turmoil beginning in the summer of 2007. But you can understand why investors really do focus on where they're putting their money now. They tend to really like government securities. They tend to like Canadian banks. But the further down the list you go, the more coaxing they need to return to the market with the same vigour they had prior to August 2007.

Mr. Mike Wallace: To follow up, in your report last year you talked about the private pension plans basically not being heavily exposed to the issue with the asset-backed paper. Sitting through the comments that I've been hearing over the last few weeks, I'm wondering why the pension plans for the automotive manufacturers.... The manufacturers say the asset-backed paper they're providing is a quality product because it's well secured with good assets.

Why are the pension plans, particularly their own pension plans, not interested in buying their own paper? Is that illegal, is it possible, or is it just because of the risk level?

Ms. Julie Dickson: I can't really talk about the plans that OSFI doesn't oversee. We oversee 10% of the private pension plans in Canada, and the provinces oversee 90%. I do know that the 10% we oversee have very conservative investment strategies.

Mr. Mike Wallace: Based on that, you're saying that the facility that the Government of Canada is offering in this budget—even though I agree with it—has some risk to it in terms of those assets that we'd be buying on paper. We need to be there because of the risk level in today's marketplace, and they're relying on government to provide the insurance that it will happen. It will provide capital in the marketplace that's much required.

Is that what you're saying?

Ms. Julie Dickson: I'm not necessarily referring to the risk of the instrument; it's the investor's perception of the risk.

Mr. Mike Wallace: Okay.

Do I have any more time?

The Chair: You have one minute.

Mr. Mike Wallace: I'm going to ask a question of my friends from the dealers' association. I asked the question last night, because last night we heard from them.

I just bought a new car, by the way. I have a new Ford sitting in my driveway, a 2009.

Mr. Richard Gauthier: Thank you for that.

Mr. Mike Wallace: I have a Toyota that needs a new engine, and I have to decide whether to put a new engine in a 1998 car. Are you saying the automotive companies are looking for us to pay for the scrappage program directly, as the Government of Canada? Or are they helping with that? Or is that something you haven't worked through yet?

Mr. Richard Gauthier: No, we're not here to speak on behalf of the manufacturers. What we are saying is that the current scrappage program, which was initiated on January 1 of this year, offers an incentive of $300. There are more than five million vehicles that are pre-1998 on the roads right now. There are one million 1987 vehicles on the road today. Each one of those 1987s pollutes at the equivalent rate of 37 new cars that are currently on the road, manufactured by all manufacturers in Canada.

The government, along with the auto industry, has entered into a memorandum of understanding in order to reduce greenhouse gases by 5.3 megatonnes by 2010. Everyone is working very hard, feverishly, to try to move towards those environmental objectives, which we strongly support as good corporate citizens. What we're saying is that a $300 scrappage program just is not going to do the trick. The scrap value of those vehicles alone exceeds that, so there's no motivation to move customers from that old technology into new technology. Every time you remove a 1987, it's like removing 37 cars from the road.

Germany has implemented a scrappage program; they're less than a year into the program right now. They have approached it both from the standpoint of an economic stimulus and an environmental initiative, and their sales are up 21% in February. They have actually moved 277,000 new owners into vehicles in the month of February alone. What we're saying is, as an economic stimulus, this is something the government should consider.

● (0945)

The Chair: Thank you.

We'll go to Mr. Thibeault, please.

Mr. Glenn Thibeault (Sudbury, NDP): Thank you, Mr. Chair.

I'd like to thank all the witnesses for being here today.

I'd like to direct my questions to the Hon. Mr. Peters or Mr. Donner.

I was intrigued by your opening statement, when you talked about the New York Federal Reserve's paper, I believe it was. In early January 2009, the Bank of Canada released the results of two nationwide surveys that indicated businesses are finding it very difficult to obtain credit, because they're deterred by either the rising interest rates or the stringent lending terms. The same thing goes for credit for households; concern has been expressed about the reluctance of financial institutions to reduce the prime lending rates. We've been hearing that one of the ways we can get out of this recession is to spend, spend, spend, but if people aren't going to spend, and that's what this paper is talking to.... Maybe you can expand a little bit on that and talk about the paper.

Mr. Arthur Donner (Economist, Canadian Centre for Policy Alternatives): Thank you very much for the question.

There's a very simple concept in economics 101. I'm not sure if it's taught any more; it's called the fiscal multiplier. As the Canadian budget recognized and as the Congressional Budget Office reports recognize, the multipliers are, for the short term, much larger on the spending side than on the tax side.

Ironically, as you get inflation coming down and as interest rates come closer and closer to zero, the spending multipliers increase. In other words, fiscal policy becomes more powerful. We're discussing a paper that points out that tax cuts, when you're in a zero interest rate environment, can actually lower inflationary expectations, raise real interest rates, and actually can be counterproductive.

We think the evidence is overwhelming that in order to jolt the economy—we believe the economic situation is quite grave, and I think I speak for my colleague as well—that the effort should be concentrated on getting spending out as quickly as possible on the high multiplier areas, and the highest multiplier areas are in the infrastructure area.

I hope that answers your question.

Mr. Glenn Thibeault: I'd like to give you the opportunity if there's anything else you'd like to expand on.

Hon. Douglas Peters: Yes. You were mentioning that it's very difficult to obtain credit in a recession. Consumers are reluctant to spend, and we've seen that. Bankers are reluctant to lend, as they should be. The risks are higher. You wouldn't want your bankers to go out recklessly spending. Ms. Dickson keeps a tight rein on them to make sure they don't do that, so you do have this considerable difficulty, and that's where the government must come in with a major fiscal stimulus, and the central bank as well must come in with its monetary stimulus, to bring it out of the recession, to get the consumer happy again. The banks see that there is less risk. We're actually going to come out of this recession sometime and we'll see the consumer able to repay and businesses able to repay their loans.

● (0950)

Mr. Arthur Donner: May I just jump back in on the credit question? We are experiencing, globally, a massive financial de-leveraging, and I acknowledge that the Canadian banks are in a far better position, as I know my colleagues understand, than their counterparts in other countries. At the same time, we shouldn't be satisfied only with the fact that credit creation through the Canadian banking system seems, if you look at the numbers, almost normal, because it's the non-banks that have collapsed in a major way, and it's the non-bank credit that goes through sales finance companies, life insurance companies, the commercial paper market, etc. It's the collapse of that market that is very serious and drying up credit.

If things were so good in our banking system, why haven't credit interest rate spreads narrowed further? That's my only question.

Mr. Glenn Thibeault: I'd like to direct my question to Mr. Gauthier or Mr. Hatch.

Back in November I had a great lobby from many of the auto dealers in my riding of Sudbury, talking about the issues they were having. Of course, we were talking about how it was difficult for consumers to get the loan, and when they did get the loan they were walking away because the interest rates were higher. One of the dealers pointed out to me that he was also having difficulty.

If we're talking about interest rates, I believe you mentioned it, Mr. Hatch, where they have these large loans to pay for their buildings, to pay for their overhead, and now we're seeing these interest rates come in. Is this something that's common? Maybe you can just talk a little about that.

Mr. Michael Hatch: Yes, that's what I was talking about. That's the single biggest problem that our dealers are dealing with right now. A lot of these dealers—people around this table will know—have been where they are in every community in Canada for decades, and they have had very long relationships. They're waking up to hikes in their rates, and these are credit lines worth millions of dollars. It's the biggest problem, and we hear about it from dealers every single day.

Mr. Glenn Thibeault: So not only is there no revenue coming in because of a lack of sales, but they're seeing their costs increase by the financial institutions. They are negotiating increasing their interest rates.

Mr. Michael Hatch: Yes. As I said, it's the biggest issue they're dealing with. The $12 billion credit facility should help to address that. It's a significant sum of money, so we understand the need to design it in such a way that it's effective. Obviously, we want it to meet its objectives, which are to increase the accessibility and decrease the cost of financing for our members. That said, this is a problem that has to be addressed with speed and urgency, and a lot of our dealers who we're hearing from every day needed this to happen yesterday, frankly. We need this program to get going as soon as possible, while at the same time designing it in such a way that it meets its objectives.

Mr. Glenn Thibeault: Great. Thank you.

The Chair: Thank you.

We'll go to Mr. McKay, please.

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

Thank you, witnesses.

So many good witnesses, so little time, and so many questions.

I want to acknowledge the presence of my predecessor here, the Honourable Dr. Peters.

As you can see, Mr. Chair, the people of East Scarborough have been well served for many years.

Mr. Mike Wallace: They were better served in the past. Is that what you're saying?

Hon. John McKay: Well, that may be arguable, and I certainly wouldn't dispute it.

I wanted to reference Dr. Peters' comment in the second to last paragraph, where he says that credit interest rate spreads in Canada are unhealthily wide, suggesting that our financial system is also under severe strain. I contrast that with Ms. Dickson's comments that OSFI continues to do its own analysis of the condition of financial institutions, of the overall financial sector.

It seems that you paint a rather healthier, rosier picture of our system than do Dr. Peters and Dr. Donner. I'd be interested in your comments on that.

● (0955)

Ms. Julie Dickson: My comments are designed to talk about the fact that Canadian banks today continue to function in the way that banks are supposed to function, whereas their international counterparts do not.

Now, it is clear that we are not out of the woods yet, and there continue to be stresses in the system. We do look at the cost of funds for Canadian banks versus the costs of funds that other banks are facing around the world in various spreads, and what we've seen is that the spreads have come down. They're still high, though.

So the system is performing well vis-à-vis other systems in the world, but it is still under strain.

Hon. John McKay: Have the spreads come down for all banks or have they just come down for Canadian banks?

Ms. Julie Dickson: You can look at it week by week. They've come down for Canadian banks and a bit for all banks, but it does change from week to week.

Hon. John McKay: But that begs the logical question. If they are in fact getting cheaper money, which is just the narrowing of the spread, then presumably their credit granting would be more aggressive. Yet we're loading up EDC and loading up BDC, and you guys got 12 billion bucks of new fresh money for credit, so those two thoughts don't seem to live in the same universe. Can you give me an explanation?

Ms. Julie Dickson: There are two things that banks look at when deciding to make a loan. They're looking at the cost of funds and they're looking at the risk to the borrower. Both of those elements are being affected by your view of risk. Investors are risk averse now: when they lend money to a bank, they want a high rate for it. When banks lend money, they tend to be more risk averse, too, because we're in a recession and they have to worry about getting paid back when they make the loan.

Hon. John McKay: There is a resplendent irony going on here. As money is getting cheaper, it's also getting more expensive. It's quite strange.

I'll just shift that response to Doctors Donner and Peters and ask them to comment on Ms. Dickson's observations.

Also, I wanted your comments with respect to a second, rather startling statement in your paper:

> That paper analyzes the new conditions in the US and poses the clear possibility the tax cut may cause a contraction in the economy, that is, they might actually reduce GDP and worsen the recession.

I know that on this side of the House we've argued that there are smart tax cuts and stupid ones. This government seems particularly prone to stupid ones. Can you expand both on what Dr. Dickson said and on that statement as well?

The Chair: You have about 45 seconds.

Hon. Douglas Peters: I will be very brief, then, thank you, Mr. Chairman.

We're going to have to call Ms. Dickson “Rosy”, I guess, for her forecasts.

We were talking about different things, not just the banks, but the whole market, and the market for medium- and long-term bonds and things like that. That's really the basic difference.

On your second question, it would take me at least 15 or 20 minutes to go through this, but let me put it this way. When the central bank's interest rate is zero and you have a deflationary environment, if you have a tax cut, particularly one of those tax cuts that affect the costs of businesses, then the consumer will see that the businesses will be lowering their prices and the consumer will say, “Look, prices are going to fall”. If they do, they will postpone spending.

Hon. John McKay: Okay.

Hon. Douglas Peters: So that's the question...sorry.

The Chair: Monsieur Carrier.

[*Translation*]

Mr. Robert Carrier (Alfred-Pellan, BQ): Good morning, ladies and gentlemen.

I'll address my questions first to Ms. Dickson. We are currently going through an economic crisis. As you are the superintendant of financial institutions, I suppose I can expect a lot from you.

At the beginning of your presentation, you mentioned that Office of the Superintendent of Financial Institutions was the main agency responsible for supervising and regulating deposit-taking institutions, insurance companies and federally regulated private pension plans. More specifically, you say that in the past Canada has made a good number of regulatory decisions. Your agency seems to have taken part in them indirectly. But your presentation disappoints me somewhat. I'd like you to clarify the role that you played mainly last year, because that does not appear anywhere in your text. Did you issue any corrective notices on the credit scheme or the value of private investments? There have been a lot of problems with asset-backed commercial papers, at least in Quebec, where I am more familiar with the situation. Did you issue any warnings to the financial institutions?

The population has to have trust in its financial institutions; this is our main bulwark against the economy. It is proven that the population in general doesn't understand a whole lot about the financial and monetary systems. So we put our trust in the financial institutions that are well regulated by agencies like yours. What role did you play last year with regard to the deteriorating situation in respect of which you could have asked for some corrective action to be taken?

I'll let you answer the question.

● (1000)

Ms. Julie Dickson: Thank you for your question.

[*English*]

First it's important to understand what OSFI's mandate is. We are responsible for assessing the safety and soundness of Canadian banks and federally incorporated life companies and trust companies and private pension plans.

For Canadians, a strong banking system is incredibly important. You need a strong banking system in order to ensure your banks are in a position to continue to lend and to ensure that people do not lose when they put their money into banks and insurance companies. That's what we do.

There are other parts of the financial system that we do not oversee. So when speaking about OSFI, I think we have to focus on what our mandate is.

In terms of what we've done in the last year, we've been relatively fortunate compared to other regulators around the world who have had to deal with failing banks and governments taking over banks, etc. Our role in Canada has been to continue to examine the banks, and given the amount of turmoil, we've increased that substantially.

But as I say, we have been very fortunate in the sense that we have not had to take the kinds of measures that other regulators around the world have had to take.

[*Translation*]

Mr. Robert Carrier: To hear you describe your role, you were more an observer than an initiator or investigator as far as our systems were concerned to ensure things were running smoothly for us. You say we were lucky that you didn't have to take very serious measures.

In light of the current situation, what do you propose to do, as superintendant of financial institutions? Your title in itself is comforting, but what do you expect to do in the future to correct the situation?

[*English*]

The Chair: Just briefly, Ms. Dickson.

Ms. Julie Dickson: It's business as usual for us. We will continue to do what we've done in the past, which I think has paid dividends for Canada.

The Chair: Thank you.

We'll go to Mr. Kramp.

Mr. Daryl Kramp (Prince Edward—Hastings, CPC): Thank you, Mr. Chair.

The fact is, right now, sadly, in the Senate the official opposition is insisting on significant amendments to the budget, which is potentially going to put a lengthy and undetermined delay into this entire process.

Mr. Gauthier, if there is significant delay with these significant proposed amendments that are taking place in the Senate as we speak, what impact would this have on the Canadian secured credit facility for your dealers?

● (1005)

Mr. Richard Gauthier: Any delay in making the $12 billion trickle into the real economy would have devastating effects on the dealer network in the country for a couple of reasons. Number one, there is definitely a credit drought right now, so dealers are unable to finance their operations. The timing of this is particularly crucial, because since November and running right through until early spring we have been in the period of the year where vehicles are typically not sold even at the best of times.

We are a highly leveraged industry that cannot survive with the kinds of declines we are seeing. The average dealer in Canada right now has about $7.5 million worth of debt. That's a wholesale inventory primarily, parts and so on. When you're looking at the kinds of numbers we're looking at now, where the bottom has literally fallen out of the market, with a 53% decline for General Motors, a 43% decline in sales for Honda, no one can restructure fast enough to be able to keep up with that. It would be devastating, and I fear we will lose large numbers of dealers. That will impact communities across the country.

Mr. Daryl Kramp: Thank you very much.

As well, Mr. Siegel, I'm truly impressed by the accomplishment of EDC and the dramatic growth you've experienced through this particular period. It's quite rewarding to know that we have—because, as Mr. McCallum said, this is in contrast to the anecdotal evidence we've heard on behalf of BDC at the same time. We thank you for your work on this.

In Budget 2009 significant stimulus will be going into your organization as a delivery vehicle. Once again, if that is delayed by this impending blockade in the Senate, what significance would that have for customers whom you are doing business with or planning to do business with as a result of the extra capital infusion in Budget 2009?

Mr. Eric Siegel: I thank the member for the question.

The effect could be in a number of areas. The budget introduces new legislation for EDC and a temporary reprieve from the regulations that would restrict us in the domestic market. Our core business would continue to operate provided we had sufficient capital. Right now we do, but we're in an environment where we're expecting that credit downgrades and defaults will continue. We're only about a third of the way through what we would expect to see, so we use more and more of EDC's capital. In the budget there is a provision that would allow us to draw more capital from the government if we needed it. If the legislation didn't pass, we would have to work with the capital we have. We're okay for the moment, but that could become problematic in 2009.

Mr. Daryl Kramp: It could limit your options.

Mr. Eric Siegel: It could limit our options.

It would make it very difficult for EDC to play any significant role in the domestic economy. That's important, because we have a number of corporates, at all sizes, who have short-term growing requirements. In many cases they have bank credit, but they need additional credit to fill gaps. It could be because foreign banks or non-bank facilities are no longer there and they need some additional credit. An example of this would be what EDC did with Nova Chemicals recently, coming in to fill a $100 million or $150 million financing facility to allow them to get over a short-term liquidity problem to be able to continue to function. A number of companies like that are approaching EDC. The legislation would make it easier for us to do that as it would make it possible for us to bring our capacity to the benefit of the private sector in credit insurance and in surety insurance and the like. It is an important set of powers that would limit what EDC could do if it is in power.

Thank you.

Mr. Daryl Kramp: Thank you.

The Chair: Thank you, Mr. Kramp.

We'll go to Mr. Pacetti, please.

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

Thank you to the witnesses for coming today.

I have a couple of quick questions. I want to return to the purpose of these hearings. We're here to determine the credit availability, so I have a couple of quick questions for Mr. Gauthier. The Canadian secured credit facility is still at the consultation process. How are we going to make sure the money gets out? Who is going to determine whether the borrower of these funds is going to be creditworthy? Who is going to determine all that, or are we just going to be in trouble once the $12 billion is lent? Is there any oversight? Is there going to be a mechanism whereby the money is going to be lent out quite rapidly?

● (1010)

Mr. Richard Gauthier: That's an excellent question, and thank you very much for giving me the opportunity to put that on the record. We actually attended a meeting on Friday, March 6. It was an all-day meeting at which there were 125 participants representing BDC. BDC has been charged by the Government of Canada to oversee and handle this project with regard to the Canadian secured credit facility.

The C.D. Howe Institute has been retained to gather information from all of the various stakeholders, including BDC, Industry Canada, and industry stakeholders in order to put in place the kinds of mechanisms you are suggesting now need to be in place. So there will definitely be oversight. The government has taken very aggressive steps in making sure these funds are not only properly utilized but that the creditworthiness of the paper that will be considered for purchase is as was presented in the initial presentations we made.

The concept will only deal with a triple-A credit paper, which, after analysis, has less than a 1% of 1% default rate. And there are built-in profit margins there that will benefit the Government of Canada.

Mr. Massimo Pacetti: Thanks. We're limited in our time. Thank you.

Another quick question is that our dealerships are also lacking in financing, but that's going to be a separate type of financing. Credit will be available to people who purchase the new vehicles being sold. But how about the existing inventory now being held by dealerships? How will they—

Mr. Richard Gauthier: The primary intention of the $12 billion fund will be to render liquid the captive finance companies and the private finance companies that supply the dealership network so that they in turn can help these dealers support their inventories at more competitive rates than those being asked for by banks right now.

Mr. Massimo Pacetti: Okay, so that will solve some of the—

Mr. Richard Gauthier: That is where the money will go.

Mr. Massimo Pacetti: Mr. Siegel, just quickly, EDC is not necessarily a lending institution. It lends some money, but you also provide insurance. Is that correct?

Mr. Eric Siegel: Yes.

Mr. Massimo Pacetti: One of the questions I have concerns the $5 billion that's going to be available for your corporation as well as the BDC. I understand all the statistics with the number of extra files and the number of extra clients you've had. But I just think we're trading what in French we call *quatre 30 sous pour une piastre*. We're just trading four quarters for a dollar, because all you're doing is taking the place of some of the Canadian banks that don't want to take that risk, and it's not really injecting money into the system. That's my feeling, and correct me if I'm wrong. All that's happening is that you're replacing four quarters with a dollar because you're just shifting the risk from the Canadian banks or the other banks—they don't necessarily have to be Canadian banks—and you're taking over that security or that risk.

Mr. Eric Siegel: Let me cover a couple of things with respect to that question. The first is that yes, EDC is a lender and EDC is an insurer. I think sometimes people gravitate to EDC's financing capability and don't understand what insurance actually does.

Insurance is actually a financing-enabling instrument. So, for instance, when we insure receivables for a Canadian company selling abroad, that means security for banks, and banks can then lend against that. The more insurance there is, the higher they will lend against the receivable.

EDC provides bonding. When we provide bonding support, we guarantee the bank. We take the bank off risk. That allows the bank to redirect that credit to something else, so it liberates money so they can—

Mr. Massimo Pacetti: My feeling is that it's not being redirected—I'm sorry to interrupt—but it's just being stopped, and EDC and BDC have to do the heavy lifting. That seems to be what I'm hearing.

Mr. Eric Siegel: In the example I gave you of Nova Chemicals, we stepped up for $100 million, but we were insisting that the banks put additional money into the deal. And they did. They put an additional $50 million into the deal. In that particular case, we approached it as being part of the solution but not *the* solution, not displacing other players.

So we are trying to both maintain the banks with what they're doing, as the first point, and—

● (1015)

Mr. Massimo Pacetti: I just want to make sure that this is actually what's happening, that you are asking the banks to—

The Chair: Thank you, Mr. Pacetti. You will have another turn.

Mr. Massimo Pacetti: Thank you, Mr. Chairman.

The Chair: Monsieur Bernier.

[*Translation*]

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

My question is for Mr. Donner. A little earlier, you praised the idea of using government spending to stimulate the economy. You said, while reading your presentation notes, that, if we consider the multiplier effect, it is more important for government to stimulate spending than to cut personal and business tax. You also said we have to be afraid of deflation in the current situation.

Did I understand your comments correctly?

[*English*]

Mr. Arthur Donner: Thank you very much for your question. The only thing is that we're not apologizing for the government; that part I won't accept.

It's quite clear to us, and it's overwhelmingly evident in the evidence, that the spending multipliers—as in the bang for the government buck—are much larger than the tax multipliers.

[*Translation*]

Hon. Maxime Bernier: Thank you for clarifying because, when the government spends money, we must ask where the money comes from. The money comes from companies and individuals. So we have to look at what we don't see. We talk about a credit crisis. If the government takes its citizens' and entrepreneurs' money to stimulate the economy, it may destroy some jobs. Some entrepreneurs could use this money for productive projects.

I am more in favour of cutting taxes, since this is what means individuals will have money in their pockets, which they can spend or save. If they save, that will create wealth because the money will be available for borrowing by entrepreneurs to invest in projects that create jobs. When we cut taxes, the money doesn't just fly away in the sky. The money stays in the economy and is available. If we cut my taxes and I use this money to pay off a debt that I owed to one of my fellow citizens, the money will remain available and my fellow citizens can decide to spend it or save it. I think that the creation of wealth comes from productive investments, not from spending.

If spending created wealth, many countries in the third world would be rich today. Canada is a rich country because of the investments it has made and because its tax rates are very low.

History may show that I'm right. During the Great Depression, the American government spent and the U.S. federal government cut its spending by two thirds between 1945 and 1948. Spending by the U. S. federal government was $92 billion in 1945 and it fell to $29 billion in 1948. The federal government got out of the way and this accounted for a cut in public spending of 70% within a few years. This is what enabled them to get out of the Great Depression.

So I do not support your logic, which claims that the best way of getting out of the present crisis is to spend and, the more we spend, the further we'll get out of the crisis. I think we need balanced spending and that is what our government is doing. We have spent on infrastructures, which will be there for many years and will benefit future generations. I'm talking about roads, bridges and tunnels. These infrastructures will be around for future generations. We were also responsible when we decreed a permanent income tax cut so that Canadians would have some money in their pockets.

I don't think that irresponsible deficits are the solution to the current crisis. I think that we have to have an accurate vision of the situation. This is why we'll run a deficit for a very short time before getting back to a budget surplus as soon as possible. The solution won't come from the economists but rather from the people. The economy is all Canadians who spend and save day after day. It's very hard to predict Canadians' behaviour.

● (1020)

[*English*]

The Chair: Okay, Mr. Bernier.

[*Translation*]

Hon. Maxime Bernier: If I may continue…

The Chair: Mr. Bernier, you have 30 seconds.

Hon. Maxime Bernier: I understand that some people think that spending will get us out of the crisis, but I've just explained to you that it's not the solution.

Mr. Siegel, you offer loan guarantees to certain sectors. Do you do so in Quebec's forestry sector?

[*English*]

The Chair: A yes or no will do. The time is up, unfortunately.

Mr. Eric Siegel: Yes, we do. The bulk is insurance, which the banks then lend against, but we do provide direct loans as well.

The Chair: Okay, thank you.

We'll go to Mr. McKay, please.

Hon. John McKay: The first question is to Mr. Gauthier.

I understand that the essential problem here is that the insurance companies and the pension plans aren't picking up the paper once the vehicle is sold, and it's probably right and proper that the government step in and do something to free up that market. Since we last talked, has there been any real movement on the part of the banks or the pension plans to step back in and purchase this paper? Is there any discernible movement on the part of those institutions?

Mr. Richard Gauthier: Thank you.

There has been movement. The movement, unfortunately, has been contraction. The banks have further contracted and are moving away from our industry almost totally. We have seen banks change the terms of reference for loans prior to closing dates on properties and so on, literally walking in and saying unfortunately, because of changing conditions, we will have to modify the terms of our negotiation on the deal we had.

We had a situation last week where a bank walked into one of our dealers, a long-time dealer who has been in business for 40 years, who has a $1 million line of credit secured by a letter of credit from another bank for another $1 million, and the bank said they'd have to change the terms and increase it by 2%. When the operator questioned why that was necessary, the answer was, "Just because we can. You have nowhere to go."

Hon. John McKay: We're hearing that over and over again, so that's interesting.

I want to direct a question to Dr. Donner and Dr. Peters with respect to the multiplier of stimuli. You're making the argument that infrastructure is effectively your best stimulus, not tax relief and things of that nature.

The big issue for us has been the rapidity with which you can get a stimulus into the market. While in economic theory, if you will, $100 worth of infrastructure should be more stimulative than $100 worth of tax relief, the government can do tax relief today, but stimulus through infrastructure, even with the cooperation of the senior party here, is still going to go slowly into the economy.

Does your economic theory hold up given the realities of the way money flows into the economy from the government?

Hon. Douglas Peters: Yes. Let me just quote from the budget papers. The personal income tax measures, in the first year—that's 2009—have a 0.4 impact. For every dollar spent, you get 40¢. In the second year it's 0.9. Infrastructure spending in the first year is 1.0, two and a half times as much bang for that buck, and it's 1.5 in the second year. It's almost over half again as much impact in the second year. Now, those are not my numbers; those are from the budget papers themselves. The impact of personal income tax cuts is much less of a bang for the buck than the infrastructure spending. I presume that the people at the Department of Finance who made these calculations would have decided how quickly that was put in place.

● (1025)

Hon. John McKay: This is a rather interesting issue in terms of where the rubber hits the road, though, because even accepting the multiplier effect in the budget and in economic theory, getting the stimulus out the door seems to be extraordinarily slow.

Mr. Arthur Donner: May I jump in? The same budget paper also pointed out that if you want the greatest bang for your tax cut, then you want to cut taxes for very low-income households. This is not surprising; you'll get a stronger economic stimulus that way.

Hon. John McKay: We seem to be missing the economic cycle as it's going down. The stimulus will actually be hitting the economic cycle as we come out of the cycle.

Mr. Arthur Donner: As an outside observer to your very fascinating process, I wish you would get the stimulant dollars out much faster and more efficiently. Dr. Peters and I suggested that maybe the federal government should take a lead by being willing to spend a much larger proportion in year one.

The Chair: Thank you, Mr. McKay.

I'm going to take the next Conservative spot. I have three different questions. I don't know whether they can all be answered in five minutes, and if they can't be answered here in the committee, I'd appreciate a response later on.

First of all, Mr. Gauthier, you talked about getting the money into the economy now and provided some details in response to Mr. Pacetti. The program is obviously an indirect sort of way to provide financing. My first question to you is whether you have any advice on actually designing the program. If you were designing the program, with respect to the $12 billion, how you would set it up to work?

My second question would be for EDC. I would certainly second what Mr. McCallum and Mr. Kramp said. Politicians hear a lot of complaints, but I have never heard one complaint from a business about EDC, so I certainly applaud you for the anecdotal evidence and the information you provided today.

That leads to the question. What EDC does now, it seems to be doing exceptionally well. There has been a concern raised about getting an organization to move into an area that's not its area of expertise: the domestic market. Perhaps you could address that concern, which has been raised.

Thirdly, and I don't know that we'll get to this, Ms. Dickson, you talked about OSFI being involved with efforts to identify what went wrong and what changes should be made to avoid a repeat of the global market turmoil. That certainly is something that's seizing all committee members here. I don't know whether you want to talk about some of the work you're doing with other G-20 nations on this issue, but I think it's certainly something concerning which the committee would benefit from more information.

Mr. Gauthier, we'll start with you and we'll work our way down.

Mr. Richard Gauthier: Thank you, Mr. Chair. I know you're trying to keep a tight leash on time, so I'll be brief.

First of all, I am very happy that I'm not designing the program. The government has seen fit, obviously, to bring greater minds than mine to that task.

However, I would make the point I made at the industry stakeholder and government meeting last Friday. It was that it is imperative that the $12 billion not get bogged down. It has to go through regulated financial institutions; that is one of the conditions of the credit facility. I made the point to the chair of the meeting that it is imperative that the money not get bogged down anywhere else along the way; that it find its way in its entirety—the $12 billion—into the real economy, because this is purely a stimulus economic initiative, and it will not stimulate anything unless it actually gets into the real economy—that is, into the hands of the leasing and equipment lessors who are out there waiting to sell their product.

The Chair: Thank you.

Mr. Siegel.

Mr. Eric Siegel: Thank you, Mr. Chairman.

While the focus is on the new powers that would give EDC the ability to participate more fully in the domestic market, EDC is not a stranger to doing it. In fulfilling our mandate of helping companies in their international trade objectives, very often the best way to help them is right here in Canada, with pre-shipment financing or with their bonding—all things that help create domestic credit for them. We already have an established set of products and an established set of programs, working with banks and working directly, and we're not prohibited, even without the legislation, from doing more of that. We have a degree of confidence in this already.

The legislation will allow us to engage in a more unfettered manner. At the same time, we're not there to displace the banks. We want to keep the banks as engaged as possible, because these powers are intended to be temporary. At some point it's expected that EDC will no longer be active in that space and will go back to a more normal state. We also don't want to unduly overlap with, say, somebody like BDC, which is in that space, particularly for small and medium-sized enterprises, so we're talking very closely with them.

The manner in which we intend to provide our capacity, as I said before, is in many cases by way of reinsurance. Instead of trying to compete with the private market, it's by bolstering the private market, giving them added capacity, and letting them use their client relationships and their delivery vehicles to get that capacity into the market.

● (1030)

The Chair: Thank you.

Ms. Dickson, you have about a minute, if you want to comment on that.

Ms. Julie Dickson: Okay.

I know that Tiff Macklem was here talking about the G-20 and what he's doing. The regulators are part of that process, and we're really focused on three things: first, whether capital is adequate and how to build buffers in good times so that they can be drawn upon in bad times; we're spending a lot of time on liquidity, because the approach to liquidity needs some refinements to ensure that banks don't run into the kinds of problems worldwide that they ran into in the past 18 months; and lastly, we're focused on compensation arrangements within financial institutions, to try to ensure that when these are developed, the institutions think about risk at the same time.

The Chair: Thank you very much.

We'll go to Mr. Thibeault for the final round.

Mr. Glenn Thibeault: Thank you, Mr. Chair.

I'd like to ask this question to the Hon. Mr. Peters or Mr. Donner. We're here today talking about how we can enhance credit availability. We've heard clearly, from both businesses and consumers, that interest rates are deterring them from enjoying credit availability. Maybe you could talk a little bit about what good it is to increase loans and credit, if interest rates are higher than ever and are deterring consumers and businesses from accessing credit.

Hon. Douglas Peters: You're quite right, there are two factors: there's credit availability and there's the price of credit. That is a real problem. When the central bank interest rates get to zero, there is very little more the central bank can do except to get into the quantitative easing fit, and that's exactly what we were discussing in our paper. The central bank should be—and I think the deputy governor mentioned when he appeared before this committee that they would have to be—considering going into quantitative easing. The Fed did so about six months ago, and there was an enormous increase in purchases of instruments in the credit market. It is exactly what is needed here to bring interest rates down in the various markets.

Now the Government of Canada has set up a mortgage repurchase scheme, which is again exactly for that purpose: to make sure that mortgage interest rates are not so high. The government will move into that market to bring those interest rates down. The central bank may have to do the same in other markets to bring those interest rates down, so that you have both the availability of credit and a reasonable interest rate.

Mr. Arthur Donner: If I may jump in, the Bank of Canada Act permits the central bank to buy literally any kind of asset. I think that is a very good option available to the Bank of Canada, because I think we're really into a very unknown period. My own sense, and I perhaps have never gotten this across, is that the basic problem with the worldwide economy and even the Canadian economy is insufficient spending, period. We want to get spending out. Once interest rates are zero, as my colleague said, you can't lower the rate, but you can certainly improve accessibility.

● (1035)

Mr. Glenn Thibeault: Great. Thank you.

Relating to the Canadian secured credit facility, Ms. Dickson, one of the things the New Democrats are concerned about is transparency. Once these funds are given to the banks, how will the government ensure that they get to businesses and consumers? What type of transparency is there relating to that, if you can answer that for me?

Ms. Julie Dickson: I think that's a question more for the Department of Finance.

Mr. Glenn Thibeault: Fair enough.

What can we do, then, to ensure that we're going to be getting some interest rates that may be legislated? We were talking about deferring spending, because we're seeing businesses not having access to it. Would you have any comments on that? I know there's been some discussion for years on legislation, in terms of having regulated rates and things along those lines.

Ms. Julie Dickson: Well, in a market-based economy, governments don't usually legislate rates. It's determined by the marketplace. I think some of the measures that have been discussed here, which Mr. Peters just referred to, should be helpful in that regard.

The Chair: You have about 30 seconds.

Mr. Glenn Thibeault: I will defer that then. Thank you.

The Chair: Mr. Peters, did you want to add something?

Hon. Douglas Peters: I might just add that we did have regulated rates at one point. There was a 6% ceiling by bank interest rates. Where would we have been in 1980, when we had a 22.5% prime rate? When you get interest rates set at a ceiling, nobody wants to lend the money at that rate. That's the major problem.

Mr. Glenn Thibeault: Thank you.

The Chair: Thank you.

Colleagues, I was going to break early because we had three motions, but two members have withdrawn their motions, so we only have one motion. I'm going to continue, and we should have time for one very quick round, so we'll go with Mr. Pacetti, please.

Mr. Massimo Pacetti: Thank you, Mr. Chair.

Just quickly, I want to go back again to the purpose of our meetings here. Ms. Dickson, I didn't get a chance to ask you a question, but our motion talks about the stability of the Canadian financial system, and we spoke at length about how solid our banks are. But you're also responsible for insurance companies, and we're seeing mixed messages. We're seeing that our insurance companies, the Canadian ones, are dropping in value every day, but there are also rumours that they're going to go and buy some of the American insurance companies. So which one is it? Should we be worried? Is there a concern, or should we be buying on the stock market, as the Prime Minister said about four or five months ago?

Mr. Mike Wallace: And also President Obama, by the way. Do you remember, last week?

The Chair: Order.

Ms. Julie Dickson: I think one could say that some of the insurance companies have taken some bruises. They still continue to meet all our requirements. I think all institutions now are looking at whether acquisitions should be made, because the share prices of institutions in other countries have fallen enormously and much more so than the share prices of our institutions.

Canadian institutions are becoming very big in market terms, so they are looking. But I think at the same time caution is definitely warranted. No transactions have been announced, and we will wait and see whether any are.

Mr. Massimo Pacetti: That's a pretty good answer. I'm surprised you actually answered it, but maybe something more direct. That's good.

Probably a more direct question would be this. There's talk about, for example, the Canadian banks. Everybody's saying, well, they are much more stable than their competitors around the world. Can we say the same thing about our insurance companies?

Ms. Julie Dickson: I think we can say the same thing.

Mr. Massimo Pacetti: Another quick question is on our pensions. Is that the next shoe to drop? Do we have a concern where the government is going to have to come in and bail out pension plans, whether they be private or public?

We can use the example of the Caisses, but the same thing is happening with private pension plans, where there's been a big decline in value and contributions are in default, or lacking or deferred. Is that going to be the next shoe to drop, and what is our risk as a government?

● (1040)

Hon. John McCallum: That's a surprisingly good question.

Voices: Oh, oh!

The Chair: There are good answers and good questions.

Ms. Dickson.

Ms. Julie Dickson: The private pension plans that we oversee are 10%; provinces oversee 90%. They are filing their reports now with us. They're due at the end of February. These are the reports as of the end of December.

They have to file reports with us indicating what their financial position is. We are now going through all those reports, so I don't yet have an assessment of exactly where they are in terms of their solvency position. I will have in about three weeks.

There have been a lot of private reports done, by Mercer and Watson Wyatt, etc., and those private reports suggest that private pension plans in Canada probably have around a 70% solvency ratio, which would mean 30% underfunded, and that's due to two things. It's due to the decline in the stock market—

Mr. Massimo Pacetti: Just 30%?

Ms. Julie Dickson: Yes, those are what those plans say.

It's due to the decline in the stock market and it's due to very low interest rates.

Mr. Massimo Pacetti: What would the solvency rate have been twelve months prior?

Ms. Julie Dickson: It would have been closer to full funding. In our case, I think it was around 98%, so it was closer to full funding.

Mr. Massimo Pacetti: Okay.

Ms. Julie Dickson: The government has indicated that it would look at a regulation to extend solvency funding, so instead of funding the deficit over five years, you have ten years, which will help the sponsors. I also am aware that the government is conducting consultations in general on the whole issue of pensions and whether any changes need to be made for the long term.

Mr. Massimo Pacetti: Would the government—

The Chair: Thank you.

Sorry, Mr. Pacetti.

Monsieur Laforest.

[*Translation*]

Mr. Jean-Yves Laforest: Thank you, Mr. Chair.

Mr. Siegel, in response to a question by Mr. Bernier, you said that EDC gave loan guarantees to forestry companies in Canada. Which companies benefit from EDC loan guarantees?

[*English*]

Mr. Eric Siegel: Last year for EDC, of that $85 billion or $86 billion, $14 billion of that support went to the forestry sector and some 1,234 companies that we dealt with, with 12% growth.

As I said, that support was a combination of three things, primarily. One was receivables insurance. Their shipments are insured, and then the proceeds of that insurance, the actual claim proceeds of that insurance, are used to secure their banks. The banks lend to them partly against the strength of that insurance or securitized receivables that are insured by that. The insurance is a form of financing.

The second form of financing is our bonding. For companies that have to post performance bonds in order to ship abroad, particularly to emerging markets, their lines of credit are drawn down to issue those bonds, and we've stepped in and provided a guarantee to the bank to take them off risk.

Finally, we have provided direct financing as well. In fact, in the next week or so, you will probably see EDC's financing announced in respect of—

[*Translation*]

Mr. Jean-Yves Laforest: I suppose that you grant loan guarantees or loans to companies in accordance with international agreements, for example the softwood lumber agreement and NAFTA. I assume that the loan guarantees that you grant do not breach any international agreements.

[*English*]

Mr. Eric Siegel: No. They're consistent with those agreements. In fact, even historically, when EDC stepped in on behalf of the government to provide a financing facility for early return of rebates, that was also done in a manner fully consistent with WTO obligations.

The Chair: Okay, Monsieur Laforest.

● (1045)

[*Translation*]

Mr. Jean-Yves Laforest: Thank you.

[*English*]

The Chair: Mr. Kramp, please.

Mr. Daryl Kramp: Thank you. I'll just try to get a couple of quick questions in, if I may.

To Mr. Peters and Mr. Donner, I read with interest your position in a piece on ABCP in the *Toronto Star* on April 6. In one area, you said:

> What is clear is that a consistent national set of regulations is required for Canada's so-called “shadow banking sector”.
>
> Thus [the finance minister] should take this opportunity to set forth rules and create a [national securities] regulator....

I have two questions. First, I'd like you to comment on what you actually meant by the “shadow banking sector”. Can you give me a definition of that?

Hon. Douglas Peters: I can try.

It would be defined as all of the financial institutions other than banks—i.e., trust companies, provincially regulated institutions, credit unions—that deal in financial transactions.

Mr. Daryl Kramp: Thank you.

Are you still of the opinion that we do need a common securities regulator?

Hon. Douglas Peters: Absolutely.

I worked on that when I was a minister. I didn't get anywhere. I would wish the finance minister luck in his attempts to deal with that.

Mr. Daryl Kramp: Third, you mentioned that the bank, now that we've basically hit the bottom with regard to base rates, should consider other moves, other opportunities under other vehicles, such as quantitative easing. You said that this might require further measures by Parliament.

What do you see as steps in those further measures?

Hon. Douglas Peters: If there are any additional measures needed to help the Bank of Canada in that area, then I think the bank should bring that up to Parliament. But most of the items that are needed are already there.

I believe the quote from the Bank of Canada Act goes something along the lines of, “In extreme circumstances, the bank can do virtually anything”. I think probably we would define the present time as extreme circumstances. I don't think there would be—

Mr. Daryl Kramp: Thank you.

Ms. Dickson, we seem to have a bit of a circle that's not squared here. I'll relate this to the auto industry, the banking sector, and financing.

We have the bank rates, our base rates, going down, yet the dealer lines are increasing. At the same time, we have a significant infusion of capital going into the banks to support them so that it wouldn't be possible.

Something's not jibing. The impression, the perception, is that the banks are ripping them off.

What's the real deal?

Ms. Julie Dickson: The decision to lend is a private sector decision. The rates that are decided upon in making those decisions are also private sector decisions.

We'll only know after the fact whether the rates are too high.

Mr. Daryl Kramp: Thank you.

The Chair: Thank you.

If you want, Mr. Thibeault, you can have a couple of minutes—very quickly.

Mr. Glenn Thibeault: Thank you. I'll be very brief.

To Ms. Dickson, do we need a pension guarantee fund, in your opinion?

Ms. Julie Dickson: That's really a question for the government.

Mr. Glenn Thibeault: Fair enough.

I guess I have another minute or so....

The Chair: Correct.

You can ask Mr. Wallace a question, if you want.

Mr. Glenn Thibeault: Sure, I can ask him—

Mr. Mike Wallace: My answer is no.

Voices: Oh, oh!

Mr. Glenn Thibeault: Well, I knew what you were going to say, Mr. Wallace. I wouldn't put that over to you.

With that, perhaps I can put the question on the pension guarantee fund to the Hon. Mr. Peters.

Hon. Douglas Peters: We may indeed; the Ontario government has a pension guarantee fund. They probably look after far more pensions than the federal government does.

That's a question that I think members of Parliament should carefully consider, and carefully consider in relation to the pensions that are carried now by the Superintendent of Financial Institutions.

Mr. Glenn Thibeault: Thank you.

The Chair: Thank you, colleagues—

Mr. Daryl Kramp: Mr. Chair, I just have a request.

The Chair: Yes, Mr. Kramp.

Mr. Daryl Kramp: I'm wondering if it would be possible for us to ask Mr. Siegel to provide to this committee, in writing, a potential sectoral breakdown in terms of their portfolio so that we could have an idea of where their funds are going.

The Chair: Yes. Perhaps you can send me an e-mail on that. As chair, I can send that to Mr. Siegel.

For any further follow-up, members are always free to ask through the chair.

● (1050)

Mr. Daryl Kramp: Thank you.

The Chair: To the witnesses, thank you very much for your presentations and your responses here today. We're now going to excuse you.

Members, we have one motion on the agenda for today. We must finish it by 11 o'clock, as there's a committee right here afterwards.

The motion is from Monsieur Laforest. We're going to ask him to move the motion and explain the rationale. Then, after one speaker from each party, we'll have a vote.

[*Translation*]

Mr. Jean-Yves Laforest: Thank you, Mr. Chair.

The motion is very clear:

> That the Finance Committee devote one session to examining the methods used by the Canada Revenue Agency to calculate the taxable income of tip employees in Quebec.

Following numerous representations, it was concluded that there are 20,000 tip workers in Quebec. Contrary to what happens in the other provinces, a solution has been developed that is unique to Quebec. In the past few years, tip workers in Quebec from the restaurant and hotel industries in particular have begun to be harassed. They are asked, from a more or less representative sample... CRA officials went to some restaurants and reviewed credit card records. They found that tipping varied between 14% and 20%.

They wanted to apply a calculation to all the workers in these restaurants. For example, in a Pacini restaurant in Val-d'Or, it was found, from checking the credit cards, that people paid an average tip of 16%. Tip workers in that restaurant are going to have to declare 16% of the restaurant's total revenue as their income. It is well known, though, that people leave bigger tips when they pay by credit card. This is really not the best way to proceed. The Government of Quebec had already agreed that 8% was a reasonable average. But now that percentage is being exceeded. Workers are being harassed. Even the Minister of Revenue agreed that this was an unfair way of doing things.

This is really prejudicial to these people. They also have to pay the bills of people who leave without paying, breakage, meals dropped on the ground, etc. Their situation is tough. We think that hearing these workers' representatives might give us a better idea of their situation, which is special in Quebec and which to me seems inequitable and unfair.

[*English*]

The Chair: Merci.

We'll go to Mr. Pacetti, please.

[*Translation*]

Mr. Massimo Pacetti: Thank you, Mr. Chair.

The content of the motion has some substance, but it is no different from what the CRA is doing itself. We've received many complaints from people who are being audited under criteria set by the auditor.

Since we have to conduct a very serious examination and we don't have the time to hear CRA officials, we could write them to ask how they calculate tipping percentages. Then we could see later whether we should hold meetings on this subject.

For the time being, we're against this motion.

[*English*]

The Chair: Thank you.

Mr. Wallace, please.

Mr. Mike Wallace: Thank you, Mr. Chair.

I'm encouraging the members from this side to vote against the motion. Not that this isn't a serious issue—obviously it is—but we have other more pressing issues with the studies we have in front of us.

In addition, being a member of the committee for three years, I recall that CRA comes at least annually to talk about the work they're doing. That would be an excellent opportunity for our Bloc members to question the CRA about the issues regarding tipping income for workers in Quebec. I think it can be handled in a different way than setting aside a meeting for it.

Thank you.

● (1055)

The Chair: Thank you.

Very quickly, I have Monsieur Carrier and then Mr. Thibeault, and then I'd like to go to the vote.

[*Translation*]

Mr. Robert Carrier: Thank you, Mr. Chair.

I understand the arguments being made and I can foresee how heavy our upcoming sessions are going to be.

Awhile ago, two motions were presented concerning self-employed computer workers and people doing postdoctoral studies. The parliamentary secretary organized a meeting for us with the minister and his senior officials in order to examine the problem. We decided that, if this meeting did not produce any results, the question could be submitted at a later date to the committee.

If you agree, Mr. Wallace could arrange with Mr. Menzies to add this element since we've already had one meeting with senior officials from the CRA. They agree that a meeting should be organized with the parties concerned in order to find a solution.

Our goal is to find a solution to the problem. If the committee could be dispensed from this duty, it could be included with the other two studies in respect of which Mr. Menzies has kindly facilitated a meeting with the self-employed computer workers.

Could Mr. Wallace arrange this?

[*English*]

The Chair: I'll hear from Mr. Thibeault.

Mr. Glenn Thibeault: I'll be very quick.

Recently, I had a town hall in my riding relating to the economic downturn. We were talking about some of the mining layoffs we were having. Of course, there was a strong contingent of retail workers who showed up, and also tip workers.

So if this motion were to move forward, I would suggest that it not just include Quebec, but that it be more broad to include other ridings, because we're all being affected by this.

If you're deferring this to another time, that would be my suggestion on this motion.

Thank you.

The Chair: The motion has been moved by the mover, so the motion is up for discussion.

I don't know whether Mr. Wallace has arranged a meeting with the minister or not.

Mr. Mike Wallace: I can't make the arrangement, but I'll make the commitment to my Bloc colleagues that I will talk to the parliamentary secretary about the same process that happened previously and see if they're interested in arranging a meeting. But I personally can't do it.

[*Translation*]

Mr. Jean-Yves Laforest: In the meantime, we could suspend the motion.

[*English*]

The Chair: Suspend the motion? We can withdraw the motion.

Do we have unanimous consent to—

[*Translation*]

Mr. Jean-Yves Laforest: I withdraw it for the time being.

Mr. Robert Carrier: It is withdrawn for the time being. We'll come back to it as necessary.

Mr. Jean-Yves Laforest: It is going to be withdrawn from the time being.

[*English*]

The Chair: Okay, it's withdrawn.

[*Translation*]

Mr. Jean-Yves Laforest: Thank you.

[*English*]

The Chair: Thank you.

The meeting is adjourned.

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