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Chair

Mr. James Rajotte

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● (0900)

[*English*]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): I call the 26th meeting of the Standing Committee on Finance to order.

Pursuant to Standing Order 108(2), we're continuing our study on measures to enhance credit availability and the stability of the Canadian financial system. Within that study, this is our fourth meeting on the specific issue of pensions.

We have with us today four organizations and one individual: the Canadian Labour Congress; the Common Front for Retirement Security; Mr. Erik Andersen; the Confédération des syndicats nationaux; and the Air Canada component of the Canadian Union of Public Employees.

We'll start with Mr. Georgetti, and we'll work our way down through the list. If we could have a five-minute opening statement, then we'll go to questions from the members of the committee.

Mr. Georgetti, you have your five-minute opening statement.

Mr. Ken Georgetti (President, Canadian Labour Congress): Thank you very much, Mr. Chair.

On behalf of the 3.2 million members of the Canadian Labour Congress, I thank you for the opportunity to present our views on pension issues. However, I should point out that we actually had to barge our way into this meeting, as someone forgot to invite the representative of 3.2 million workers. In fact, 83% of all registered private sector pension plans come under our affiliates.

Let's begin by reflecting on why pensions are an important issue today. The reason, quite clearly, is the current economic crisis. The crisis has exposed the weakness of our pension system, but it's also seen employers claim that pension rules are onerous and challenging to the operations of their businesses.

Honourable members of this committee, these employers' claims must be taken with a large grain of salt. Even today, in the midst of serious economic challenges, most Canadian employers—and I'll say it again—don't have a wealth problem. What we have is a wealth distribution problem and a pension fairness problem.

We have a pension system that rewards executives and short-changes workers' pensions, and that system must be changed. We have a country where the top 100 employers dole out an average pension to their managers of $930,000 a year. Meanwhile, workers are told to take less or even to fend for themselves.

We have a federal economic action plan that values tiny personal tax cuts and huge corporate tax cuts over protecting good jobs and creating pension security for workers.

We have bankruptcy laws that allow rich creditors to pillage workers' hard-earned pensions. Last week this committee heard from forestry workers in Quebec that workers at AbitibiBowater in Grand Falls learned that 2,500 creditors ranked ahead of them in bankruptcy court. These creditors, largely banks and hedge funds, have filed 60,000 pages of documents to recover their losses. Meanwhile, workers at AbitibiBowater are owed between $30,000 and $100,000 each in severance pay. There are 87-year-old widows who won't see a dime of their former husbands' pensions.

We have a federal pension system that allowed Canada Post to take a contribution holiday ten months into this current economic crisis. The same system gave solvency funding relief to Air Canada in 2004, only to see the company reward executives, sell off all their assets, pay out huge dividends to shareholders, and underfund workers' pensions, and now once again is sitting there crying poverty.

We have management fees for defined contribution plans and RRSPs that gouge 30% to 40% from a worker's expected pension. We're talking about billions of dollars being diverted into the deep pockets of Bay Street.

We have studies that show most Canadian employers can pay for today's pension deficiencies. This is true for many large federal sector employers, who are in a good position relative to others.

Still, today we hear calls for weaker pension funding rules at the worst possible time.

As I said before and will say again, a decent pension for all is not impossible. Even in today's economy, it's not impossible. It can happen if we embrace the right pension values and if the policy ideas that we use fit those values. Our recent brief to the finance committee on pensions shows how it can happen.

I'll just end with a summary of our demands.

We say no to unnecessary pension bailouts. Of course we should assist employers with genuine problems and use the government's existing extraordinary financing framework of some $200 billion, as announced in the federal budget, to do that.

We should set a policy goal to double CPP and QPP pension benefits, and allow them to gradually replace the under-performing RRSP industry—which, I might add, uses up $19 billion a year in tax credits, or about half of what we spend on OAS, if you can believe it. And we should increase OAS benefits so that no senior lives in poverty ever again in this country.

We need to create a federal system of pension insurance that mirrors the system for bank deposits and credit union deposits. This fund should be financed through levies from pension plan sponsors themselves. And we should create a reserve fund for this insurance system through a small financial transfer tax on Canadian stock market trades.

Critically, for the sake of genuine fairness, we need to ensure that the full value of workers' pensions is protected in bankruptcy proceedings. If Canadians shouldn't be in the front of the line when it comes to protecting them, who should be?

Thank you.

● (0905)

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

We'll now go to the Common Front for Retirement Security.

Mr. Dan Braniff (Founder and Spokesperson, Canadian Branch, Common Front for Retirement Security): Good morning, all.

Thank you, Mr. Chairman, for including us in this hearing this morning.

I am Dan Braniff, unpaid volunteer and the founder and spokesperson for the Common Front for Retirement Security.

Common Front is the largest general advocacy in Canada, representing 20 diverse organizations, consisting of two million members. I think you have my list on file.

I last appeared before your committee in October 2006, appealing for pension splitting, and that followed a three-year advocacy campaign. That was described by my members as the best Hallowe'en trick ever. Pensioners rejoice every year when they fill out their joint election for pension splitting, and that means this reward for you goes on forever.

Pension promises are under unprecedented stress. Capital markets lie unprotected from the pillage of unethical forces. The majority of defined benefit plans suffer solvency deficits. Contribution plans are inefficient, and participants lack expertise and guidance. One-third of Canadians do not have access to occupational plans.

The deficiencies are interrelated and demand a consolidated solution. Retirement security, of course, is dependent on market stability and regulation. Universal and equal access is essential if social turmoil—we call it pension envy—is to be avoided. A lethal combination: plan members watch their pension security evaporate while perpetrators of toxic investments fill their pockets and pension investment managers appear to take excessive gambles to reward themselves while the funds are going down the tube.

Contribution holidays should be postponed until rules are strengthened. The regulator needs more power to scrutinize funding obligations, diminishing solvency trends, and fiduciary assumptions. Next to the banks, pension funds form the most powerful engine in this country, driving the economy. Retirement security motivates savings, and that's what we need in this country.

Pension funds require a contingency reserve, a rainy-day provision for surviving economic emergencies like the current meltdown. The 10% surplus tax threshold should be abolished. Surpluses above the proposed contingency reserve should be amortized similar to the amortization of solvency shortfalls.

Solvency deficits should rank above all creditors in bankruptcy. The Common Front proposes that sponsors pledge fixed assets as security for shortfalls other than a letter of credit. The Common Front supports previous submissions and the one I heard this morning for a universal pension plan. If Canada had a UPP in place, the solvency crisis would not exist. General Motors, Nortel, and Air Canada pensioners would not be facing a pension disaster.

Portability would enable pension plan transfers and a level playing field among competing private industries. Capital markets need a sophisticated national agency with laws and enforcement tools. They need to be staffed by legal and forensic economists equipped with investigative specialists similar to CSIS and the FBI.

Regulation reforms must have national standards for today's mobile worker and pensioner. Periodic schedules of regulatory reviews should be programmed to keep pace with rapidly changing economic times. We're far out of date.

Finally, eliminate the mandatory RRIF minimum withdrawal to enable pensioners the budgetary flexibility to preserve independence.

Thanks for your attention.

● (0910)

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

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

Mr. Erik Andersen (Economist, As an Individual): Good morning, Mr. Chairman and members. Thanks for the opportunity to come here this morning.

I come as a private individual. I took up this issue in 2002, so I come at it from an intellectual and moral perspective.

What I'm trying to focus on is the Canada Pension Plan and the board and its conduct. So I'll read from this text that you all have in front of you but others may not have seen.

The formation of the CPP IB as an independent corporation had to have occurred after representations were made that moneys surplus to the immediate needs of the CPP could be invested in other than government bonds to a significant financial benefit of the plan members.

The CPP legislated mandate is to act in the best interests of CPP contributors and beneficiaries, to maximize investment returns without undue risk of loss, and to take into consideration the CPP's funding status and ability to meet its obligations. The reference there is from the legislation.

Beginning in 2002 I expressed my concerns to the finance minister, and my worries then and now are the following.

First, the CPP IB might become an investor of last resort for failing companies.

Second, equity investments represent an elevated level of risk incompatible with the mandate, and not understood or accepted by the contributors or the beneficiaries.

Third, private equity investments—more correctly described as speculations—have no place in the CPP fund, as valuations are not determined objectively when either purchased or valued.

Fourth, liquidity of many of the investments at the CPP fund will be compromised and often are unavailable.

Attached under tab 1, which you don't have, are copies of my representations, predominantly to the ministers of finance, beginning with a letter dated January 14, 2005, to the Honourable Ralph Goodale, and finishing with a letter dated February 18, 2009, to the Honourable James M. Flaherty. In each letter the theme is the same, but I have introduced examples of inappropriate investments—speculations, in my judgment—which support my concerns.

Attached under tab 2 are copies of articles and notices of these inappropriate investments. To help with the appreciation of the nature of a financial investment and speculation, I've included a short definition as well.

A speculation is where there is no promise of safety of principal and a financial return on the money, such as an interest payment. Posted on February 28, 2007, was a report titled "CPP Investment Board dips toe into U.S. real estate market". The $500 million U.S. was characterized by the author of the article as a first major bet.

In contrast and well before this transaction, the Governor of the Bank of England publicly cautioned the British banks to be prepared for a 40% rollback in real estate values.

Additionally, the CPP IB would have had knowledge of the U.S.-based Case-Shiller housing index. In early 2007 that index was at an all-time high of 210, when the steady state is normally around 100.

Posted in *The Globe and Mail* on May 5 was a story about the CPP IB speculating on the prospect of building a very controversial power transmission line in Patagonia.

● (0915)

The Chair: You have one minute left in your presentation, sir.

Mr. Erik Andersen: I'll go to conclusions.

The CPP IB engages in speculations that are incompatible with the legislated mandate.

Accountability to the beneficiaries is minimal to non-existent.

The use of non-publicly-listed assets sabotages the confidence in the financial statements of the CPP fund.

Suggestions.... Suspend all new investments and seek liquidity on the existing investments.

In the event that this isn't accepted, do a test: ask the CPP to volunteer projects and test it for liquidity and valuation.

Thank you, Mr. Chairman.

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

We'll now go to CSN, Madame Carbonneau.

[*Translation*]

Mrs. Claudette Carbonneau (President, Confédération des syndicats nationaux): Good morning, Mr. Chairman. On behalf of CSN's 300,000 members, I am pleased that this consultation is being held and especially to be able to express our point of view on the future of pension plans.

CSN believes it is absolutely necessary to step back a little and do a complete review of our entire pension system in order to conduct an in-depth examination of the types and models of pension plans and, of course, of the scope and level of protection offered to the Canadian public.

To illustrate my remarks, I'll state at the outset three types of problems that merit more serious examination: first, the regression experienced with defined benefit pension plans; second, the small percentage of the Canadian labour force contributing to a registered pension plan; and, third, the legislative barriers to more sectoral or inter-corporate approaches.

In Canada, as in all the provinces, defined benefit pension plans are in trouble, and businesses are terminating them and transforming them into defined contribution plans. The recent financial crisis will no doubt enhance this trend and, unlike a number of provincial acts, the federal act does not require employers to cover the plan's shortfall on termination. In view of the current economic situation, CSN believes it is imperative that the government amend its act and thus prevent businesses from shirking the obligations they have undertaken toward workers.

In Canada, less than 40% of workers contribute to a registered plan, and that percentage is even lower in the case of private sector workers. If we compare our pension system with those of other OECD countries, we realize that a number of countries have systems that result in higher income replacement levels, and do so for many more of their workers than in the Canadian system.

For example, countries such as the Netherlands, Australia and England have passed legislation that is tougher on employers and compels them to contribute to registered pension plans. CSN believes we must look at the Canadian system as a whole and try to find mechanisms that will ensure adequate coverage for all workers at retirement. To that end, we believe we have to find new types of pension plans that help share the risk between employees and employers, not transfer all risks to workers, as is the case with capital accumulation plans in particular.

In addition, we must not only raise the legislative barriers to intercorporate plans, but also put in place measures that encourage employers to join forces and offer their workers much better pension plans.

I think the Canadian government must take advantage of this consultation to go further. It must assume leadership of a joint reform with all the provinces to reposition the Canadian pension system and, lastly, to enable workers to achieve decent income levels at retirement.

To that end, CSN believes that the Government of Canada should adopt legislation that recognizes the right of all workers to be covered by a pension plan and that requires all employers to pay a minimum contribution. I remind you that these kinds of initiatives were taken by the Canadian government in the late 1980s, which led to an entire series of amendments in the provinces. I think it is about time to take another in-depth look at this matter and to achieve a much more adequate level of coverage, and I don't think that's unrealistic.

● (0920)

I cited some examples of OECD countries. I'll come back to the Netherlands and the recent legislation in England and Australia.

Thank you.

The Chair: Thank you very much for your presentation.

[*English*]

Finally, we will go to Ms. Thompson, please.

Ms. Katherine Thompson (President, Air Canada Component of the Canadian Union of Public Employees): Thank you, Mr. Chair.

Hello. My name is Katherine Thompson. I'm the president of the Air Canada Component of CUPE. I'm here with you today representing the 6,800 flight attendants across Canada who are employed by Air Canada, a federally regulated company. Our members participate in a defined benefit pension plan sponsored by Air Canada. It is in regard to this plan that I am speaking to you today.

Historically, when given the opportunity, some employers fail to sustain adequate funding for the pension plans they administer. Accordingly, the government enacted pension legislation in order to protect retirees who may now be unable to re-enter the labour force should their pension plans fail.

Air Canada's pension plans, like many pension plans in Canada, have been adversely affected by our economic downturn. The assets of the plans have lost value, which puts more pressure, but certainly not the only pressure, on Air Canada's finances.

We believe strongly that the financial problems facing Air Canada as a business are unique to Air Canada and stem from the financial re-engineering of the company by its hedge fund owners after the company's 2004 insolvency. These problems will have to be addressed now that the consequences of the hedge fund restructuring have come home to roost.

The problems facing the Air Canada pension plans, however, are more common to all pension plans around the world. Those problems are a worldwide crisis in capital markets, in investments that have led to what we believe are temporary reductions in the value of our pension plan assets. Certainly most economic forecasts suggest the worst of these problems will be behind us in 2009, and we will see a slow return to a more normal capital market in 2010.

For these reasons, we recognize and indeed support the need for temporary measures to see Air Canada through this extraordinary period. However, we emphatically reject the argument that the current conditions require far-reaching, permanent change to our pension regulations. As you know, a group of seven federally regulated employers have recently requested very significant reforms to the Pension Benefits Standards Act, reforms that we think are fundamentally flawed. Under the guise of the current financial crisis, this group of corporations is asking to revalue the funding levels of their pension plans. This revaluing we think constitutes the single largest transfer of risk from shareholders to employees and retirees in the history of Canadian pensions.

In response, the Department of Finance released a discussion paper in January 2009 requesting submissions on the Pension Benefits Standards Act. We availed ourselves of this opportunity to provide a comprehensive submission to Diane Lafleur of financial sector policy branch.

I will refer you to our submissions to Madame Lafleur for more specific comments on the group of seven's proposal, as well as our position on the permanent changes to the pension act that they seek.

I would like to use my remaining time with this committee to make three specific suggestions. It is our hope that these suggestions will be of assistance to your committee.

We support extending temporary and balanced funding relief for federally regulated pension plans. We believe that there are clear principles that must be present for relief to be balanced.

Retirees and employees should maintain the right to withhold consent to any concessions that increase risk or simply transfer equity from plan members to other corporate stakeholders.

Any increased risk that may be agreed to should be fully secured through a deemed trust provision.

In conclusion, I'm here to give a voice to the predominantly female and minority-based flight attendants whom I represent, employees who during the course of their careers with Air Canada have not been the recipients of generous salaries or lucrative stock options to aid in their retirement planning. They are now relying on their elected officials to ensure that pension legislation continues to protect the pension plans that they've contributed to in the hopes of being self-sufficient upon retirement.

With these comments, I wish to close and thank the committee for its time and the invitation to address you.

● (0925)

The Chair: Thank you, Ms. Thompson.

Members, we'll start with Mr. McKay, for seven minutes, please.

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

Thank you, witnesses.

First of all, I'd like to start with the Air Canada representative.

Air Canada was reorganized in 2004. Let me preface my remarks by saying that I do not pretend to have followed all the bouncing balls with respect to Air Canada and its rocketing back and forth between solvency and insolvency and things of that nature. But there was a reorganization in 2004. I assume that the union had some participation in that reorganization. Was the issue of pension plans discussed and anticipated at that point?

Ms. Katherine Thompson: Absolutely. It was a component of the restructuring we went through at the time. The unions collectively agreed that some arrangement had to be made to preserve the defined benefits program we had.

When we made the agreement to offer this aid to Air Canada, we subjected ourselves to additional risk. We moved from a five-year to a ten-year amortization period for any deficit that was in place. We've now reached the five-year mark of what would have been the full-funding period, and now Air Canada is in a position, again, of coming and asking us, again, for the same extension they received the first time.

Hon. John McKay: In 2004, you went from five to ten years. Now we're in 2009, and they want another five to ten years. I understand that in terms of transfer of risk, but where does that leave the plan as far as solvency is concerned?

Ms. Katherine Thompson: A $3.2-billion deficit was established when the deficit was calculated in January. Now, with the proposed changes to smoothing regulations, it stands at $2.8 billion of deficit.

● (0930)

Hon. John McKay: Beware of smoothing, I guess. Is that it?

Ms. Katherine Thompson: Yes. As one person said to me, it's calling one dollar two dollars.

Hon. John McKay: Yes, yes.

One of your proposals is the right of the beneficiaries to withhold consent.

Ms. Katherine Thompson: Yes.

Hon. John McKay: Wind the clock back to 2004. If you had had the right to withhold consent, would the restructuring have unravelled?

Ms. Katherine Thompson: We had the right to withhold consent at that point, and we're asking to maintain the same right. We assumed the risk at that point. It wasn't foisted upon us.

Again, that was a temporary change to the regulations, specifically for Air Canada to extend it to a ten-year period. And it was temporary. Now they're asking for permanent changes, so for the go-forward, it would constantly be a ten-year amortization period, and the plan members would not have the option.

Hon. John McKay: At this point, do you have the right to withhold consent?

Ms. Katherine Thompson: Yes.

Hon. John McKay: Okay, I understand that.

Okay, thank you very much. I'd like to pursue that, but I have limited time.

Ms. Katherine Thompson: Thank you.

Hon. John McKay: On the Canada Pension Plan Investment Board, you're essentially saying that CPP is into high-risk investments and that there's little or no recourse. I've heard a lot of things said about CPP, but as a high-risk investor, that's not one I've frequently heard.

What percentage of the CPP's investment portfolio would you consider to be high risk?

Mr. Erik Andersen: I would say that it's about 65% to 70%.

Hon. John McKay: And how do you define high risk?

Mr. Erik Andersen: They are assets that are not market-related, so you can't define valuation properly, in my view, and the rest is made up of public markets—equities.

Hon. John McKay: So if CPP invests in a public-private partnership, for instance, we'll say for building the train from the Vancouver airport to downtown Vancouver, that's not a publicly traded investment. Would that fall within your category of high risk?

Mr. Erik Andersen: Yes, it would.

Hon. John McKay: Okay, thank you.

Mr. Braniff, item four of your recommendations says, “The existing CPP provides a maximum 25% of occupational. Enhancing CPP to 60-70% of pre-retirement income...”. I'm not quite sure what you mean by that proposal.

Mr. Dan Braniff: I'm going to let Bernard Dussault, my associate here, comment on that point, if you don't mind. He's the former chief actuary with CPP.

Mr. Bernard Dussault (Senior Research and Communications Officer, Federal Superannuates National Association): The CPP expansion would consist of two things. Two things would be expanded. The benefit rate, which is currently 25%, would be increased to 70%. The maximum earnings on which the CPP applied, called the YMPE, would be increased from $46,300 this year to the maximum applicable for tax purposes to a registered pension plan, which is $116,000 a year.

This expansion, contrary to all previous CPP amendments, would be done a fully funded basis. This is a new provision in the CPP Act.

So the day that the expansion is implemented, the 70% will apply, but only to earnings earned since age 18. This means that the 70% will be earned gradually. It will take 47 years before the 25% benefit rate will reach the 70% level.

Hon. John McKay: You're lapsing into actuarial-speak. Possibly others understood what you were saying, but I'm not sure I did.

Unfortunately, I've run out of time, but I'll reserve the opportunity to come back and try to have you explain that to me in non-actuarial language.

Mr. Bernard Dussault: Okay.

The Chair: We'll have another turn.

Monsieur Carrier.

[*Translation*]

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

Good morning, ladies and gentlemen. Thank you for coming and giving us your comments.

Since our time is limited, we have to make choices with our questions. First I'm going to speak to Ms. Carbonneau.

Earlier you mentioned that virtually all workers should have access to a pension plan and that we should consider establishing a new plan. However, government plans are in effect, particularly the Canada Pension Plan and the Quebec Pension Plan. Private plans are often a support for those plans, which are not adequate.

You're talking about further extending the pension plans, but would that be done through government pension plans or private plans, which would be improved? You talked about making it easier to establish inter-corporate plans so that everyone would be covered.

● (0935)

Mrs. Claudette Carbonneau: We looked at two scenarios. It would have been almost natural for a union organization to tell you that it would be preferable to enhance the public plan, but that's ultimately not the scenario we chose. That's essentially because the mere fact of going back a little in time brings the risk of extremely high costs for future generations, given the demographic context.

We also believe in the need to offer coverage for the entire working population. We use the legislation passed, in particular, in the Netherlands, Australia and England as our model. It has the effect of forcing all employers to allocate a portion of their payroll to pension plan contributions. That subsequently makes it possible to establish good supplementary plans, among other things, if that can be done on an inter-sectoral basis, hence the need to establish an inter-corporate base.

This makes it possible both to limit the risk and to be realistic, in view of the fact that the industrial structure includes an enormous number of small and medium-size enterprises. We are more interested in this model than the idea of enhancement. This should be substantial so that real income protection at retirement is guaranteed. We think that by acting retroactively we would shift a very heavy burden of costs, which we consider prohibitive, onto future generations.

Mr. Robert Carrier: With respect to pension plan protection, you said earlier that there was a difference between federal and provincial legislation with regard to application. That was mentioned briefly. Can you give me any more details on that subject?

Mrs. Claudette Carbonneau: With your permission, I'm going to ask Nathalie Joncas to provide some details on that.

Madam Nathalie Joncas (Employee Benefits Advisor, Labour Relations Services, Confédération des syndicats nationaux): Good morning.

Under the legislation governing the provincial plans, in Quebec and Ontario, if a company closes and is nevertheless in good financial shape, but the plan is deficient, meaning the fund is in a deficit position, that becomes a debt of the business, which must cover the amounts promised. That's what's provided for in cases where the company is still in good financial position. If the company is bankrupt, things are different.

In the case of plans covered by federal legislation, if the plan is terminated and is insolvent, it's not a debt of the business. The employer may therefore terminate the plan and not cover the deficit, the guaranteed amounts, even though it is still in decent financial position. If it declares bankruptcy, that's not the same thing. What we're asking is for the situation to be as it is in the provinces, that is to say that, if the plan is fully solvent, it must become a debt of the business where that business terminates the plan.

Mr. Robert Carrier: All right, thank you.

Now I'll turn to Mr. Georgetti, from the Canadian Labour Congress, which represents 3.2 million members, if I read correctly earlier.

On that same subject, do you believe that the protection of a pension plan should be fully applied to all workers by an act, by terms and conditions contained in an act?

● (0940)

[*English*]

Mr. Ken Georgetti: Are you talking about bankruptcy protection or protecting the CPP?

[*Translation*]

Mr. Robert Carrier: I'm talking about cases where workers don't have a pension plan with the business where they work. Ms. Carbonneau suggests that all workers should have access to a pension plan through an act that would compel businesses to provide such a plan. Is that consistent with your ideas, or do you think that's pointless?

[*English*]

Mr. Ken Georgetti: We think it's useful. Let's remember, over 93% of Canadians are covered by the Canada Pension Plan or Quebec Pension Plan right now. We think that's a good model to use and to enhance. Private plans that we've negotiated, although adequate and sustainable, are very difficult to negotiate.

Secondly, right now there exists a small quirk in our economy, which is that employers that don't provide adequate pension protection to Canadians gain a competitive advantage against those that do. We think that's something that's wrong in the system itself. Enhancing the Canada Pension Plan would at least level the playing field so that good employers providing adequate pension protection aren't penalized in the competitive environment they have to work in.

[*Translation*]

Mr. Robert Carrier: I have one minute left?

The Chair: Yes, for one brief question.

Mr. Robert Carrier: Then I'll come back to Ms. Carbonneau.

Pension plans are all well and good. We have a public plan in Quebec, administered by the Caisse de dépôt et placement du Québec, the operation of which, we realize, is not as safe as that. You always have to exercise oversight.

Do you think there are any changes to be made to the management of pension plans with regard to the system of bonuses offered to those who negotiate the investments, who make big profits, but who ultimately don't make the right investments. Do you think a reform should be introduced in this area?

Mrs. Claudette Carbonneau: You're obviously citing the recent example of the Caisse de dépôt et placement du Québec. I'm definitely not going to be the one to tell you I'm pleased with last year's results of the Caisse de dépôt et placement du Québec.

I also think you have to know how to put things in perspective. Since that institution was put in place, its average return has nevertheless been 8.3%. In that sense, this is not a disaster. Having said that, I think some reforms must be carried out by that institution's board of directors. I can tell you that some things are starting to be deployed in terms of internal reorganization at that institution, in particular a strengthening of risk management mechanisms.

You raised the entire issue of executive compensation policies, and that's definitely a factor that must be considered. We need to find balanced arrangements that also take risk protection into account in compensation policies, in particular.

The Chair: Thank you very much.

[*English*]

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

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

Thank you to the ladies and gentlemen who are here before us this morning. We realize how serious an issue it is we're facing, and we certainly appreciate those who come with suggestions and recommendations a little more than those who come with absolute demands. So thank you for your suggestions and recommendations.

Mr. Braniff, just to be clear here, you had suggested in your comments that perhaps we were a little late in coming to the conclusion that pensions were in trouble. I think Canada did get out ahead of some of the other countries in recognizing this, and I'm sure you understand, given the people you deal with on a day-to-day basis, how serious and how complex this is. That is evidenced when we get into the actuarial speak, as Mr. McKay refers to it. It is difficult to understand.

You referred to the 10% surplus. We've got into those discussions in many different communities and forums I have participated in. Do we need to expand that 10%? Many companies have told me that if they had had the opportunity to contribute more in the good times, they would have, and we perhaps would not have been in this situation. Are you hearing that? Do you think that's a possible solution?

● (0945)

Mr. Dan Braniff: It certainly is an impediment to have that ceiling, and it would be my contention that there shouldn't be a ceiling. There are other ways of doing this, one of which would be when there is a surplus to have it amortized as insolvency is amortized. In other words, have a plan when it goes up, and have a plan for it to go down. If you have an insolvency problem, you do the same thing. You bring it back to solvency.

Should it be specific? Do you need five years or seven years or whatever? I'm not sure of that. I'd leave that to the experts. But I think we've been fussing with this. It seems to be a limitation. It is a consequence now of some of the problems we have, because that alnd contribution holidays have put many of these sponsors into the predicament they're in right now. Some of them, I suspect, use this as an excuse. I've heard from actuaries, not this one, who have said they can produce just about any number you want, that the limit doesn't mean much, but then maybe we should look into that proposition.

I'm suggesting there shouldn't be an impediment, because what we're doing is penalizing our own system. So I agree with you. And by the way, I do agree that your consultation has been very productive. It has got the attention of the media. And I can tell you that despite some of the corporate witnesses you've had, pensioners are much better informed today because we're having these discussions, and I think that's imperative.

I'd like to thank Ms. Thompson from Air Canada. We agree with her proposition that this blanket ruling.... This is one of the problems when you're not prepared. I know the intention was to give relief to the pension plan, but this temporary measure was a sledgehammer when we needed a scalpel. Certainly Air Canada needed some special consideration, but when you look at the super group of seven, some of them—and one of them I'm very familiar with—at the same time they put in their annual reports that they were going to adopt a ten-year plan with a letter of credit, announced an increase in dividends. They showed the largest liquidity they ever had of $3 billion. They bought back $1 billion worth of shares and they made a major acquisition of a retail chain across the country. And I ask you, wouldn't that money have been better placed in the pension fund?

Mr. Ted Menzies: I guess that just exemplifies the fact that we're not looking at a one-size-fits-all scenario, so I appreciate your comments.

Do I have a couple of minutes left, Chair?

The Chair: You have two and a half minutes.

Mr. Ted Menzies: Mr. Andersen, you referred to the Canada Pension Plan, and I know we're trying not to deal with that specifically, but every witness who has come here has talked about expanding. I'm sure you're aware it's jointly managed, provincially and federally, and a triennial review culminates this spring. The finance ministers from the provinces and the territories will be looking at that review this spring. Have you spoken to provinces to share your concerns with them, the concerns you shared with us this morning?

Mr. Erik Andersen: Only tangentially, to the B.C. premier, but nothing beyond that.

Mr. Ted Menzies: Well, I would encourage that, because it's joint jurisdiction. They're all dealing with the review right now.

Mr. Erik Andersen: Well, I'm working on the premise that the Minister of Finance takes the leadership in this particular issue, so I refine my representations to his office.

Mr. Ted Menzies: Okay. Well, I'd encourage you to consult with the premiers or the particular finance ministers.

Finally, Mr. Georgetti, during our consultations we heard from many of your member retirees that when they retired, they had no clue as to what their pension was or wasn't going to provide to them in their retirement, and I suggested on several occasions that perhaps that's a role the union could play. We also heard from concerns from retirees that the unions were only representing their active employees right now, and not the retirees.

I am more focused on what you are proactively doing for your employees who will retire in the next year or the next ten years. What are you doing proactively in terms of advising them on how to prepare for their retirement? Is that a role that the unions could, or should, be playing?

● (0950)

Mr. Ken Georgetti: Well, it is indeed a role that we do play.

I would be surprised.... Any pensioner, whether a prospective pensioner or an active member, who belongs to a union and wants information relative to the pension plan can get it either through the union or through the trustees—

Mr. Ted Menzies: I mean proactively. Person after person came to the microphone and said, “I did not understand what my pension was the day that I retired”.

Mr. Ken Georgetti: I can't answer the specifics of that. As I said, all our major affiliates are very proactive on pension consultation and pension education. In fact, the Canadian Labour Congress set up an association, called the Shareholder Association for Research and Education, that publishes information on not just their specific pension plans, but on the broader issues of pensions.

I also understand that the issue of pension financing, as I'm sure you've heard through your hearings and in the obfuscation from employers, etc., does become very confusing on smoothing and actuarial evaluations and net present values, etc., and the system is very complex, but let me tell you something: most Canadians know what their Canada pension is. They get a statement every year that tells them what their benefit is going to be. Again, to reinforce, I think that's what we should be pursuing, but the complexity of pension financing, Mr. Menzies, as you heard yourself, needs to be addressed and simplified. People need to have it.

However, we are active; in fact, I have a full-time staff at the congress, and others, just to deal with the issue of pension.

The Chair: Right. Thank you.

We'll go to Monsieur Mulcair.

[*Translation*]

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

First I want to thank all the people who made presentations today. In my opinion, that series of presentations has made the greatest contribution to the advancement of our work to date. They were full of nuances, and we see that the subject is starting to be addressed in detail. The intergenerational fairness aspects raised by Ms. Carbonneau must be part of our thinking.

I would ask Mr. Georgetti to talk more about the notion of insurance, which I think is a basic element. Some countries, in particular Japan, Sweden, Switzerland and the United States, are tending toward better insurance of these systems, whereas it's the Netherlands that was mentioned. These countries have managed to avoid this problem through a much more elaborate regulatory structure.

I would like to ask Mr. Georgetti to talk more about his notion of insurance and to say how it could help people reach retirement now. Then I would like to discuss that notion of intergenerational fairness.

[*English*]

Mr. Ken Georgetti: I'm going to have Mr. Harden answer that question.

Mr. Joel Harden (Senior Researcher, Canadian Labour Congress): Thank you, Mr. Mulcair.

On page 24 of the brief we've circulated, we have a table from the OECD that summarizes the pension insurance arrangements in various countries.

Canada has only one jurisdiction, Ontario, with a very minimal pension insurance system. That province, Ontario, just had a commission that recommended that the insurance program be increased and that the monthly benefit level be increased to $2,500 a month.

Our view is this: for all the important things in their lives, workers are required to have mandatory insurance. It is required for their houses and for their cars, and even to work. An employer needs to make WCB and EI contributions, even though half the time workers can't get it, but that's another issue.

We think that not having an insurance program for people's pensions, which are probably the biggest assets they have after their houses, is a major flaw in the public policy framework in Canada, so we're proposing, as we do in the brief, an insurance program that would work in the same way that the Canada Deposit Insurance Corporation works for credit union deposits and bank deposits. In those cases, if your financial institution declares bankruptcy, there's a program there to protect you.

We think there should be a similar program for defined benefit pensions. We think the program should be robust and should prevent employer fraud and fraudulent use. Several other countries have these programs. If we had this program, we wouldn't have the level of fear in Quebec and in English Canada that we have right now.

Mr. Thomas Mulcair: I want to move now to the very important question of intergenerational equity raised by Madame Carbonneau, and she did it in very clear terms. I can allow myself perhaps to try to summarize in the following way. As we try to make sure that people who are now retired don't live below the poverty line, it's important that we not shovel that additional responsibility onto the shoulders of young people working today. I think that might be a fair way of summarizing Mrs. Carbonneau's proposition.

So the question is, how do we do it? I mean, we're living this perfect storm right now of bankruptcies, market meltdown—which has reduced the values of RRSPs—and the baby boom coming to retirement. So how do we do that at the same time that we're shovelling an $80 billion deficit onto the shoulders of future generations with very little to see in return for it right now? How do we make sure that we take care of the people who are already there without adding that burden to the younger people who are working today?

Mr. Georgetti, I'll start with you, and then I'll get back to Madame Carbonneau.

● (0955)

Mr. Ken Georgetti: I think you have to do it in three or four ways, as Joel said. First of all, with the plans that exist now, we have to establish an insurance policy on those so that the people who have contributed to that plan can continue to move forward.

But I think you heard from the former actuary of the CPP that this would be phased in terms of the contributions, as people working start contributing, and employers contribute more into their Canada Pension Plan, and as you get older and make more contributions, your pension asset goes up. It wouldn't be something we think you would have to start with immediately. It would have to come over a generation to start the funds and roll in a national pension scheme that works for all people.

[*Translation*]

Mr. Thomas Mulcair: Ms. Carbonneau.

Mrs. Claudette Carbonneau: I think I very clearly stated that we are more in favour of a legislative approach such as that of the Netherlands. The mandatory establishment of supplementary pension plans at all businesses can be an extremely appropriate arrangement because it makes it possible, among other things, to take into account the situations of various classes of workers in a much more detailed way. Allow me to explain. I know that the public plan for low wage earners manages to cover a good portion of their previous employment revenue, which is less the case as you move away from these minimum thresholds.

So I think we can build in a much finer way using, for example, sectoral and inter-corporate approaches. Currently, for many workers, the public plans cover such a small percentage of their previous incomes that, if we considered enhancing the public system, we would have to have an extremely significant quality seal which would necessarily cause a burden to be carried over to the generation now entering the labour market.

Particularly at a time of demographic imbalance, this is something that must concern us socially and make us look for other solutions. It is true that we are having trouble negotiating pension plans, and that's why we think we need to be supported by an act in order to require that such plans be required to be put in place in all businesses. Once that requirement is met, that allows much more leeway to find types of protection that are more suited to the many and various situations of the various classes of workers.

[*English*]

Mr. Thomas Mulcair: Isn't part of the problem, Mr. Georgetti, the fact that we already started bleeding out hundreds of thousands of well-paying manufacturing jobs before the current crisis? Those jobs not only paid well and were enough to support a family, but they often came with pensions. They're being displaced and replaced by jobs in the service sector that don't pay nearly as well and that systematically don't have pensions. It's a little bit what Madame Carbonneau was referring to. In the collective bargaining sphere, where you have an employer-employee relationship that's controlled, you have a better chance of negotiating, but most of those people don't even have unions.

The Chair: Briefly, Mr. Georgetti.

Mr. Ken Georgetti: That's correct. In fact about 89% of our members enjoy a pension plan. Only 23% of people not in unions have a pension plan. If they don't, they have RRSPs. We have a chart at the back of our brief that shows you how much of your investment gets chewed in those usurious fees on RRSPs with no guarantee of a benefit at the end.

The Chair: Thank you.

We'll go to Ms. Hall Findlay, please.

Ms. Martha Hall Findlay (Willowdale, Lib.): Thank you, Mr. Chair.

● (1000)

[*Translation*]

Welcome, everyone.

[*English*]

My first question is to Mr. Braniff and Monsieur Dussault.

[*Translation*]

Mr. Dussault, at previous meetings, we talked

[*English*]

about compensation for the managers of the CPP investments and the size of their bonuses. Do you have any comment to make on that?

Mr. Bernard Dussault: Yes, I have two comments. First, there are a lot of criticisms that the remuneration of the CPPIB officers is too high. This is a concern, because it represents millions of dollars, but the biggest concern that I see personally is that their remuneration includes performance bonuses. This opens the door to taking risks that are too big and that have given rise to billions of dollars of losses on investment. Those performance bonuses are of much greater concern to me than the high remuneration.

They are both concerns, but my view of bonuses is that whatever type of job you have, you should be paid a salary only. If you do the job well, you keep the job; if you don't, you're given a chance, or otherwise you lose your job.

Some hon. members: Hear, hear.

[*Translation*]

Ms. Martha Hall Findlay: Thank you very much, sir.

[*English*]

This is a question for Mr. Braniff or both of you, in particular on recommendations for a universal pension plan. You may have said this in your presentation, but there's been so much this morning that I may have missed it. Is there a recommendation that if there's a universal pension plan, Canadians universally be required to contribute—that there be mandatory contributions for all Canadians?

Mr. Dan Braniff: We are prepared to say that the enhancement of the CPP looks like the best model now. One of the things we insist on, and I think you heard from the Premier of Ontario asking for it, is a pension summit. We think that this is where we could deal with these particular issues.

Concerning the enhancement of the CPP, the CPP is something we already understand. Perhaps it's something that would evolve. Maybe you start with a CPP enhancement and then go from there. We think this has the probability of solving many of the other problems that I've heard this morning—that is, what about the onus on future generations? I think that within the CPP we can look after that. We have to look for our children and grandchildren to be the people who get the reward.

I think the CPP enhancement, however you do it, should include a provision whereby it could be the refuge, if you will, for the wind-up of other pension plans. You would have a provision, for instance, for the Air Canada plan at the right junction to move over, with whatever degree of insolvency it had, and enjoy a refuge for a period of time, or maybe in perpetuity.

Ms. Martha Hall Findlay: That might be an interesting concept. Clearly the issue needs to be looked at further, from the testimony we've heard.

However, my question really goes to that fine line between contribution during the course of a working life—whether it's through a union, the government, or the CPP—and moving to a universal pension plan: the fine line between everyone simply paying taxes and some of that tax revenue in the government going to all Canadians at a certain time of their life.

There is a philosophical difference there, and I wondered if you would care to comment. Basically, people contribute to pension plans now through their work, whether it's from the employer, the employee, a combination, or through the government plan. However, the concept of a universal pension plan may actually go beyond that. Is there a concern that it then just be a tax?

The Chair: Make just a brief response.

Mr. Dan Braniff: I think there should be a provision for this to be set up over a period of time. We speak to employers as well as our own constituency, and we think this has already been done with CPP; it has been phased in. We think employers already know how to bring this into balance, when they sit down with their union or their respective employee representation to make the adjustments, so that it doesn't look like a tax, as you describe it.

I would prefer not to call it a tax; it's a mandatory contribution.

● (1005)

Ms. Martha Hall Findlay: My time is up. Thank you.

[*Translation*]

The Chair: Thank you.

Mr. Lessard, you have five minutes.

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

I want to welcome the witnesses and thank them for their contribution to our debate this morning.

Of course, there are a number of questions. We know the role that DBRS played as a bond-rating firm in the choice that was made by the Caisse de dépôt et placement du Québec. We know the confidence that was placed in DBRS.

Do you think these bond-rating firms should also be accountable for their opinions? If so, how? They're in business and they have a responsibility. If they were to be accountable, how could they be?

Mrs. Claudette Carbonneau: That's an excellent question. I would tell you that, barely a few weeks ago, we were thinking about the crisis, and the entire issue of bond-rating services was a prominent feature of our debate. There does not appear to be any framework for supervising them in any way whatever. This is a concern for us.

I admit that, without having completely answered the question, we considered the role that an institution like the Bank of Canada, for example, could potentially play in this type of oversight. The existence of these bond-rating agencies—we saw this in the context of the entire commercial paper issue—creates a false sense of security that can have utterly disastrous effects on many social safety plans or pension plans.

So, in that respect, we are in favour of a form of oversight of these bond-rating agencies, at least through regulatory authorities, and we want to advance our thinking on the role that could be played in this regard by the Bank of Canada.

Mr. Yves Lessard: Mr. Georgetti, do you share that view?

[*English*]

Mr. Ken Georgetti: Yes, I think that scandal deserves a lot more scrutiny than it's had so far. We were buying instruments that were rated at the highest level of security by a bond-rating agency, yet nothing has been done except for some secret meetings where they've mitigated, or tried to mitigate, the losses.

These are the same people who have been investing our defined benefit pension plans and have now put them in a position where they're in trouble. That's part of the problem for Canadian workers. We have to rely on people to invest our retirement income or retirement funds, and the people who invest them are the same ones who gave triple-A ratings to asset-backed commercial paper.

[*Translation*]

Mr. Yves Lessard: The Income Tax Act denies employers the right to contribute to a defined benefit pension plan where the plan has a surplus that exceeds 10% of liabilities. The C.D. Howe Institute has issued an opinion that, in tough times for economic productivity, that 10% should normally be increased to provide better insurance for the pension fund.

Do you agree that this 10% limit should be increased or simply abolished?

Mrs. Claudette Carbonneau: I'm going to ask Nathalie Joncas to answer that question.

Madam Nathalie Joncas: Yes, indeed, in the best times, we need to increase reserves, thus to increase this 10%, because we realized that 10% was not enough during periods such as those we've experienced. It's good for the plans in place, but I believe you have to go further to try to find other models.

This 10% or 20% is good for the models we currently have, but there are also other ways to lower the risks associated with pension plans which would also replace an increase in this 10%. The legislative framework should be changed to add other ways of preventing deficits. So we should find other methods, but the 10% should definitely be increased.

● (1010)

The Chair: Thank you, Mr. Lessard.

Mr. Del Mastro.

[*English*]

Mr. Dean Del Mastro (Peterborough, CPC): Thank you very much, Mr. Chair.

Mr. Georgetti, to begin, I have a couple of questions on the brief you submitted.

One of the recommendations you make is to increase the CPP from 25% to 50% of the average industrial wage. Have you costed how much we would have to increase premiums to Canadians to accomplish that?

Mr. Joel Harden: If you don't mind, Mr. Del Mastro, at the table we have a former CPP chief actuary.

Using the rough estimates we've done, if the current contribution rates per worker and employer are 4.95% and we want to effectively double the benefit, a conservative assumption would be that you'd have to double the contribution. What we've argued is that the CPP, unlike the RRSP industry, has really good value: it's portable, it's inflation-protected, it's suitable for the current economy. If we allowed it to gradually replace the under-performing RRSP industry, workers are going to be able to retain more pension income instead of paying it out to executives on Bay Street.

But as far as the precise calculation is concerned, I think Bernard Dussault is probably best positioned to answer that.

Mr. Bernard Dussault: The current contribution rate for the CPP is not based on full funding, so if we doubled the contribution rate, the benefits would be more than double, because the expansion would be done on a fully funded basis. When you fully fund, you pay ahead of time and you don't have to put as much in the plan. So if the contribution rate were doubled, the benefits would be increased not from 25% to 50%, but from 25% to 70%. That would be enough.

Mr. Dean Del Mastro: So, double that? Okay.

Mr. Bernard Dussault: Yes.

Mr. Dean Del Mastro: Further, Mr. Georgetti, you recommend rescinding the personal income tax reductions of $1.885 billion that were made in the 2009 budget. Have you actually surveyed your membership on this? Have you taken a vote within your membership to ask them if they'd like a tax increase?

Mr. Ken Georgetti: We talk to our members regularly and we meet every three years. Our affiliates have that policy. We would prefer that the money be used for other purposes than those minuscule tax deductions that no one feels on their cheque.

Mr. Dean Del Mastro: Okay. You indicated earlier that 23% of people not represented by unions have a pension plan. Who is in that group?

Mr. Ken Georgetti: Well, it's everyone who is not in a union.

Mr. Dean Del Mastro: But it would include people who are self-employed, correct?

Mr. Ken Georgetti: It would include all the executives.... Everybody, yes.

Mr. Dean Del Mastro: Sometimes when we throw numbers around, they're misleading. You indicated in a release following the budget that 60% of the unemployed weren't getting benefits and that they weren't going to get them now. Who is in that 60%?

Mr. Ken Georgetti: That's someone who doesn't get EI. It's everyone who is unemployed who doesn't get EI.

Mr. Dean Del Mastro: I realize that it's everyone who doesn't get EI, but it's misrepresenting. Shouldn't we really be talking about the people who have paid into the plan—the people who are working, the people who are laid off? That's the number that Statistics Canada reports.

Mr. Ken Georgetti: Our numbers are for all people who are unemployed—who work for wages, become unemployed, and can't get EI. Of those people who become unemployed, I think 41% get EI benefits, and the rest don't.

Mr. Dean Del Mastro: This would include people who don't pay into the plan.

Mr. Ken Georgetti: No.

Mr. Dean Del Mastro: Yes.

Mr. Ken Georgetti: No.

Mr. Dean Del Mastro: Well, if you're including people who are self-employed, they don't pay into it.

Mr. Ken Georgetti: I said people who made EI contributions off their cheques and then are not entitled to get unemployment insurance.

Mr. Dean Del Mastro: Your position is that 41% of people who are paying contributions don't get EI?

Mr. Ken Georgetti: No, 41% do get EI.

Mr. Dean Del Mastro: Do get...? Oh, so you're saying that only 40% of people who paid into it actually received it?

Mr. Ken Georgetti: That's right, yes.

Mr. Dean Del Mastro: So what you're saying is that Statistics Canada is absolutely wrong by double.

Mr. Ken Georgetti: I'm not saying anything about Statistics Canada. I'm saying that the reality is that almost 60% of people who become unemployed and who have paid EI premiums don't get EI.

● (1015)

The Chair: You have 30 seconds.

Mr. Dean Del Mastro: Thank you very much.

One thing I'm sensing from everyone is that we're looking for certainty, for assurances. There is one thing I've learned. I'm not that old yet, but I've learned that there's no such thing as a sure thing in life. But there's a delicate balance that has to be struck.

The Chair: Okay, what is your question?

Mr. Dean Del Mastro: I know, Ms. Thompson, for example, that there's great concern about Air Canada. How do we balance the concern between preserving jobs and preserving pensions?

The Chair: Be very quick, Ms. Thompson. I know that it's a big question.

Ms. Katherine Thompson: That's a very big question at this point.

Our members start their careers buying into the concept of a pension promise. They believe that if they work for their employer and the employer stays viable, when they choose to retire they'll be able to live with dignity and respect. Unfortunately, the current crisis, and Air Canada's situation in particular, is putting that pension promise at huge risk.

The Chair: Thank you.

We'll go to Mr. Pacetti, please.

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

[*Translation*]

Thanks to the witnesses for being here.

Ms. Carbonneau, I listened to you and I don't know whether you're version is the same as that of Mr. Georgetti. Everyone agrees that, when we retire, we'll receive benefits from Old Age Security, the Canada Pension Plan and the Quebec Pension Plan.

However, we're talking about the third pillar. Some will be covered by a third plan, while others won't. Today we're talking about finding another way for everybody to be covered, both people who have a private plan and those who do not. In fact, for people planning their retirement, the Canada Pension Plan, the Quebec Pension Plan and Old Age Security will not be enough.

Are you in favour of the alternative proposed by certain individuals which essentially consists in increasing CPP and QPP premiums? I didn't hear your organization say it.

Mrs. Claudette Carbonneau: We're perfectly aware that what's paid by the public plans isn't enough and that protection should be expanded, but we're fundamentally suggesting another way of doing it. I'm going to ask Ms. Joncas to provide a few details on that.

Madam Nathalie Joncas: The Canadian system has three pillars: the Old Age Security pension, the QPP, the CPP and corporate plans. This isn't a bad system.

Currently, the weak pillar is corporate plans, which do not cover 40%—and less than 40%—of the labour force. We could always increase the second pillar, the Canada Pension Plan or Quebec Pension Plan, as some people have suggested, but that would cause other problems. France has a large plan and it has had these problems at certain times. A large universal plan raises other kinds of problems.

Fundamentally, if we consider the OECD countries, having three different pillars is really a good retirement system. It's currently the third pillar of our system that poses a problem.

Mr. Massimo Pacetti: I agree.

Our committee has heard a number of witnesses, some of whom want us to increase contributions to the Canada Pension Plan or the Quebec Pension Plan. I agree with that, but people in the middle class who earn between $30,000 or $50,000 can't afford to have their premiums increased. They're the ones who aren't contributing to their private pension plan if they're not forced to do so. What's the solution in their case?

Mrs. Claudette Carbonneau: We are advocating greater flexibility, ensuring that everyone can access a suitable pension plan, but that we can organize, negotiate those plans based on the specific characteristics of the labour force in various classes of businesses. We think that's a more flexible solution that enables us to build adequately.

● (1020)

[*English*]

Mr. Massimo Pacetti: Ms. Thompson, in your case, if we decide to recommend that the QPP or the CPP be increased so that people secure an increase in those revenues in their retirement years, would your organization prefer to perhaps ask your employer to reduce premiums so that they would be less exposed? They would be paying a payroll deduction every week, or whenever the paycheques are—once a month or twice a month—whatever that would be. So there would be no question, at the end of x number of years, that there would be a pension liability that the company could never afford to catch up on.

Ms. Katherine Thompson: If the premium the members would be paying would maintain the same contribution and their risk would be reduced, I think they would be supportive of that.

Mr. Massimo Pacetti: Okay.

The Chair: One more question.

Mr. Massimo Pacetti: Mr. Andersen or Mr. Braniff, we're looking at a lot of these pension plans that hire experts, and they're the ones who are supposed to be able to manage our money. I think I could do a good job when times are good, but they're supposed to protect us, I think, during the hard times, because they're supposed to prevent plans from being subject to a 15% to 30%—

The Chair: Question, please.

Mr. Massimo Pacetti: —loss of return. So how do we avoid this? Do we really need experts?

The Chair: Very briefly, Mr. Braniff.

Mr. Dan Braniff: Yes. I really come from the corporate side. You might not have recognized it, but I can tell you that it's our culture. We have created this monster. I don't blame these particular people. It's the way we've structured their rewards.

I simply say find a system that rewards them in accordance with what the pensioner has to be exposed to and is exposed to. In other words, let him be a part of that pension plan that he's tinkering with so that his compensation eventually is going to be hit by the same particular crisis that the rest of us get hit with.

The Chair: Thank you.

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

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

Maybe just before I start, I will acknowledge my colleague across the floor sitting in a wheelchair in recognition of the plight of the disabled. I think it's a good move. Thank you.

Might I suggest just a couple of things to our panel? Thank you very much for coming in. I might perhaps preface my comment by saying it is sad in one way, but hindsight is 20/20 for almost everybody around the table here at some point. You know, five, ten, twelve, maybe even three or four years ago, when things were rock and rolling in the economy, we didn't seem to have this same concern, and now all of a sudden we have that concern.

Do we need a wholesale radical reaction to the circumstance right now? Or do we recognize that we are cyclical in nature as economies and we have to find a way to transition through this difficult period?

Mr. Braniff, what are your thoughts? Is this time to reinvent the wheel, or is it time to fix the wheel?

Mr. Dan Braniff: First of all, the Common Front has been focused on this since 2003. We saw this coming. We had no idea of the impact, of course.

The media and perhaps some of us are calling this a tsunami or some kind of pandemic. This is not an act of God. These are man-made circumstances, and there are ways of correcting them. I think we have the brain power to position Canada as a leader in this area—and it's already a leader in many respects, with CPP, for instance.

For me, panic is not an option. I think we have everybody's attention, and wouldn't it be the appropriate time to create a summit? Because as you keep pointing out, you only have 7% of the pension regulation in this room. The provinces are missing, and they're coming together with some pretty good ideas. B.C. is going to go alone and you might not like what it is going to do. Wouldn't it be a shame that the federal government would have to reinvent everything again?

I side with you. Let's be very calm. Let's be deliberate. Let's make one step at a time. Let's not think that we can solve it all in one swoop, but let's make sure we made the right start and we put in place the kinds of systematic reviews we need as circumstances change. I think we've learned from this crisis that we can be surprised, and sometimes we can be surprised on the delightful side.

I have one characteristic that is probably unique in this room: I've been on pension for 25 years, and it's very nice. You should try it.

Voices: Oh, oh!

Mr. Dan Braniff: I don't know if I've answered your question.

● (1025)

Mr. Daryl Kramp: Thank you for that.

Mr. Georgetti, you and previous witnesses and people at the table here have raised the issue of a potential expansion of the CPP. I'm looking for the balance.

I think most people in this country would agree we don't need a cradle-to-grave philosophy with absolutely no incentive and no way to be productive and move ahead in a competitive global economy. However, we do have to find a way to be compassionate and care for our society when we have circumstances that are beyond people's control.

Quite frankly, and certainly don't take any offence, I find your argument well representative of the people you represent. I think it's a fair position, but I think we also have to balance that with the rest of society. I think this is the policy debate that is definitely worth having, but I think we have to be honest and consider the cost, the benefits, the rewards, and the gains for all sides.

Have you considered the immediate cost to the economy of addressing that, for competitiveness, etc.?

The Chair: Just briefly, Mr. Georgetti.

Mr. Ken Georgetti: Certainly we've considered it. Let's remember, sir, that the people we represent enjoy pension security for the most part. Most of our members have adequate pension plans that will deliver a pretty good pension to them. So when we're talking about these issues, we're talking about most people who work and don't have enough capacity, don't earn enough money to put enough money aside to save for retirement. That's a reality in Canada. Most people don't get $930,000 a year in pension.

If we don't deal with them at the front end in a proactive way, governments—and you're sitting there on the government side—have to take care of that. We don't let people die of starvation in Canada yet, for the most part. We have to take care of them.

So transferring that liability and that risk somewhere else doesn't solve the problem. This crisis, I agree, and I want to be on the record: we have been raising alarms since 2000 on this issue of pension liability and solvency. This is not a cyclical downturn. This happened by design by some pretty greedy people of questionable character who drove this economy into the ground.

The Chair: Thank you, Mr. Kramp.

Mr. McKay, please.

Hon. John McKay: I think Mr. Georgetti should be pleased that Mr. Kramp has noted you represent the people you represent. I think I would be putting that in the next newsletter of the Canadian Labour Congress.

I want to go back to Mr. Braniff. I take it you're not too thrilled with letters of credit.

Mr. Dan Braniff: I'd have to confess I'm not an expert in that field, but anyone I talk to tells me these are revocable. These are not ironclad in the terms we would really respect. When things get tough and things explode, what's going to happen to that letter of credit?

If you're going to use a letter of credit, that's a washy thing. Why not pledge actual assets? The corporate headquarters, for instance, the real estate it sits on, pledge that against the deficiency in the pension plan. If you did this, you would change the culture.

I've been over there. You'd change the culture. Do you know what would happen? They would never let that pension fund go into deficit.

Hon. John McKay: I don't think I've ever seen a letter of credit that's not revocable under certain conditions. If my entire pension plan is dependent upon a letter of credit, then presumably the entire pension plan is revocable.

● (1030)

Mr. Dan Braniff: Let's put the proposition another way. If a sponsor can secure the kind of letter of credit we're talking about, he doesn't need it.

Hon. John McKay: Good point.

I wanted to go back to Katherine Thompson with respect to her statement that any increase that may be agreed to should be fully secured through a deemed trust provision. I'm not sure I understand what that means.

Ms. Katherine Thompson: That means that any pension regulation changes that are granted to Air Canada that would increase the liability for the pension plan participants should be guaranteed with a deemed trust, which would move them up. In the event of an insolvency for Air Canada, we would be higher in the food chain, if you want to refer to it that way.

Hon. John McKay: In effect, you're working your way up the bankruptcy ladder?

Ms. Katherine Thompson: Unfortunately, it's not a pretty picture.

Hon. John McKay: Presumably you would secure a position ahead of preferreds and secureds?

Ms. Katherine Thompson: Yes. We would be happy with a 777 aircraft too, though.

Hon. John McKay: Sorry?

Ms. Katherine Thompson: We'd be happy with a 777 aircraft.

Hon. John McKay: You'd take an airplane as—

Ms. Katherine Thompson: We'd take an airplane.

Some hon. members: Oh, oh!

Hon. John McKay: At least you'd know how to fly it.

The issue here then becomes if in fact you jump to the head of the queue, who's going to lend Air Canada any money?

Ms. Katherine Thompson: I hate to be trite and say that wouldn't be our concern, but we've all collectively invested in our pension plan and we're entitled to reap the reward of that pension promise. And if other stakeholders wouldn't consider Air Canada to be a good financial risk, why should we?

Hon. John McKay: In effect, if you play this card, you'd potentially precipitate the bankruptcy of Air Canada.

Ms. Katherine Thompson: No. To that point, Air Canada's ability to raise money is going to rely on a lot of factors, and that would be one of them, but relatively in the larger scheme a small factor, I would think. It's the difference between the current protection we enjoy and any protection we would lose. It's not that every aspect of our pension plan, the entire $3.2 billion, would then become primary claimant in the case of an insolvency.

Hon. John McKay: I have difficulty understanding that from the standpoint that if the liability to the Canada Pension Plan is, we'll say, $1 billion, and Air Canada feels it needs $1 billion to keep on going, it has $1 billion lined up with Bank X and Bank X says “If you're going to take out my billion bucks you're going to have to get the pension plan to rank below my billion dollars”, wouldn't that in effect be the status of negotiations between Air Canada, the pension plan, and Bank X?

Ms. Katherine Thompson: Yes. They would be asking us, the workers, to accept additional risk in place of those stakeholders.

The Chair: Thank you.

Monsieur Bernier.

[*Translation*]

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

Today we're talking a lot about pension protection for present and future generations, about regulatory problems. You know that the Government of Canada regulates pension plans under federal jurisdiction, but the provinces regulate the others, which represent the majority of pension plans.

We're having a debate in Parliament about a national securities commission that would be established in cooperation with the provinces. In the pension field, the regulators or the regulatory agencies in the provinces have an important role to play.

Ms. Carbonneau, what do you think about the current provincial regulation? For us to have a more effective regulation and for us to be fair with the various provinces, should they cooperate more? Would the federal government have a role to play regarding a more uniform regulation of pension plans under provincial jurisdiction?

Do you have any comments on that?

● (1035)

Mrs. Claudette Carbonneau: You're raising various points. You touched on one very delicate matter, the idea of a single securities commission for all of Canada. That's a point of view that we don't share at CSN and, in my view, that a vast majority of stakeholders in Quebec don't share.

There's definitely a way to discuss the matter, to try to cooperate in order to launch a movement. I'm seeking a fairly fundamental reform of pension legislation, but I don't believe it's simpler to design it at a single level of government. I think we have every interest in preserving the provinces' jurisdiction in this regard. However, I mentioned the fact that, in 1985, I believe, the federal government amended its legislation on pension funds, which subsequently allowed some interesting developments in various provinces, in Quebec in particular.

I don't think it's a matter of level of government, but of political will and of knowing how to take the time to stand back and really rethink matters in much greater depth. Another speaker earlier emphasized that we were talking a lot about pensions because we were in a crisis. I indeed think that may be a more current topic in a period of crisis.

However, in seeking a more fundamental reform of pension plans, I would say that, over the past 10 years, we had difficulties when were in a period of economic prosperity. For example, we saw the decline of the defined benefit pension plans, which offer the best security for workers. We saw them decline in a period of prosperity. Quite apart from current economic circumstances, we increasingly have an industrial structure involving small work places where people have to learn to deal with that reality.

I'll give you an example of success in Quebec where we've managed to negotiate an arrangement in the early childhood centres, which have 10 to 15 employees, and where there has never been a way to establish an adequate pension plan. So we developed a sectoral approach as a result of which, today, these people have protection that they could never have anticipated in other circumstances. That's why I think that, in a desire to reform pensions, we must look at new issues and approaches.

The Chair: You have 30 seconds left, Mr. Bernier.

Hon. Maxime Bernier: So you're asking that the federal government play its role in its area of jurisdiction, that it conduct a reform of the supervisory legislation or regulation, which could drag the provinces along in the same movement.

The Chair: Thank you.

Mr. Mulcair, please.

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

I would like to ask Mr. Georgetti to comment on the terms chosen by my friend and colleague Ms. Hall Findlay, who last week, you'll remember, was among the Liberal members who voted against legislation to prevent the use of replacement workers, so that the Conservatives once again managed to kill any possibility of Canada having an anti-strike breaker act.

I would like him to make his observations on the choice of the term “tax”, used by Ms. Hall Findlay to describe employers' contributions to their employees' pension plans.

[*English*]

Mr. Ken Georgetti: Frankly, I don't think Canadians view CPP contributions as a tax, to date. I wouldn't advise that discussion and debate. Canadians view the CPP as a very secure instrument of security for them. They rely on it. It's administered very efficiently at the lowest cost of all pension plans in Canada.

I don't think Canadians consider it that way. We just did a poll of our entire membership, and only 4% are concerned about taxes. They're concerned about pension security far more. They're concerned about where their jobs are going to be, and they're concerned about whether or not their children are going to have adequate facilities for their needs.

This argument about CPP being a tax is a misnomer. It's clearly a pension plan, and Canadians contribute to it, respect it, and rely on it.

● (1040)

Mr. Thomas Mulcair: I will continue our examination of the Liberal Party's social conscience.

Yesterday Mr. John McCallum in *The Globe and Mail* said that as far as he was concerned it might be possible to have voluntary increases in your CPP contributions, which is interesting, because he is saying that the market can take care of things, whereas labour is in front of this committee regularly and business has been in front of this committee regularly, both saying we require some collective action on this issue.

The Liberals seem to be alone in believing that the pristine market, the same market that produced the current meltdown, is going to produce somehow a miraculous result for pensioners.

Do you agree that this should be voluntary? Or should it be compulsory?

Mr. Ken Georgetti: If I had my way it would be compulsory, and we'd make it a cost of doing business. I think the employers should pay the cost of the pension plans for their workforce. The workers give the corporations their life. Executives who give what they say is their all to those corporations get handsome million-dollar-a-year pensions. The same should be for the employees.

I see the employers setting aside billions of dollars to provide for pensions for their managers. They should be prepared to do the same for their employees.

[*Translation*]

Mr. Thomas Mulcair: Thank you.

Ms. Carbonneau, I want to get back to you so that you can complete your presentation. You raised one of the most important points. We are at a tipping point. We realize that we haven't been on the alert in the past. That's a simple observation; that is to say that the margins of the system we put in place must take into account eventualities such as the current financial crisis.

Too many already retired people are now seeing their incomes decline. If there's no protection from inflation, even if inflation is only 2% or 3% a year, pensions will be reduced by half in a number of years. Even in collective agreements, it's very often sneaky because 1% or 2% of retirees' pensions are eaten up each year.

You talked about intergenerational fairness, but do you nevertheless think we could increase basic coverage and obtain better coverage for those who are already retired? Remember that a very large number of retirees are now living under the poverty line. Can we possibly think, if no one else but working people pay, that we could enact a slight increase in order to provide better support for people who are already retired?

Mrs. Claudette Carbonneau: Our position is not to claim that pensions, on the whole, should not be improved. We are aware that retirees are fragile and vulnerable. You have to consider the best way to do it. There will necessarily be costs associated with that, and I'm of the view that those costs must be considered as payroll costs.

I liked your question that led us to say that this was a tax. In our minds, these are clearly wage costs. I think improvements at the margin can definitely be made to the public plans. I don't question that at all, but I think this is the time of much deeper changes. We have to work to consolidate this pillar of registered pension plans, which have aged somewhat and are declining. That's the meaning of the appeal we are making this morning.

[*English*]

The Chair: Merci.

We'll go to Ms. Hall Findlay, please.

[*Translation*]

Ms. Martha Hall Findlay: Thank you, Mr. Chairman.

Ms. Carbonneau and Ms. Joncas, I would like to continue along the lines of my colleague's question. Ms. Carbonneau, you talked about the systems of other countries, such as the Netherlands, Australia and England. First of all, I would like to say that the idea of holding a national pension summit is a very good idea because perhaps that may give us a chance to further the research you've done on comparisons with other countries. However, the situation is not easy because money doesn't grow on trees. Some people take risks in order to increase the funds, but at the same time they don't want contributions to be too large, but they want the benefits to be good.

In your comparisons with other countries, have you considered both aspects, that is to say contributions and benefits? We can contribute more or we can cut the benefits, but I don't believe we can do both.

● (1045)

Mrs. Claudette Carbonneau: With your permission, I would like Nathalie, our actuary, to answer you.

Madam Nathalie Joncas: I'll try to do that.

As you say, money doesn't grow on trees, but the more money you accumulate—whatever its form—in a plan, the more money there will be at retirement. The important thing is to have good protection mechanisms to ensure that the risk is well shared between all those who contribute.

In a public plan, the burden of the deficit weighs on all those covered by the plan. All Canadians thus bear those costs if things don't go so well. It's spread over all the generations, as a result of which the costs are lower and spread over time. Ultimately, however, the costs are the same, whether they're paid by one or two generations.

I want to be sure I answer your question right. In some countries such as France, pension contribution amounts are much larger than here. The income replacement percentage is much higher than that offered by the Canadian system, if you consider only the public plans. When you compare Canada with the other OECD countries, what is mandatory and provided for by the public plans—whether it be the OAS or the Canada Pension Plan—is often much lower than elsewhere. It's lower when the contributions are voluntary, and we reach replacement levels far lower than others.

[*English*]

Ms. Martha Hall Findlay: Merci.

Mr. Georgetti, can you give us an example of the average employment period for the union workers your organization represents—the length of time somebody works and contributes or participates in a pension plan that is fully contributed to by the employer—compared to the number of years that same person will receive a pension? If somebody works for 20 years, from the age of 20 to 40, will that person, assuming they live to 65...? If you can give me an idea of average numbers in those two categories, that would be great.

Mr. Joel Harden: Thank you.

We have research that indicates the rate of job turnover for this workforce is dramatically different from the rate of job turnover when the defined benefit pension system was built, so that's a major problem.

As far as averages, I can't quote averages from the brief we have; that information's not with us.

As a way of answering your question, I would say one of the reasons our organization is supporting a dramatic improvement in the CPP is that it would solve the issue of portability of pension benefits across jobs.

Ms. Martha Hall Findlay: No, the question wasn't about portability. The question was about the length of time that somebody is working and contributing to a plan, or working for an employer who contributes to a plan, compared to the number of years that person would then receive a pension.

The Chair: Okay, just very briefly, Mr. Georgetti.

Mr. Ken Georgetti: We don't have that information, but it would be a formula. You're entitled to collect based on how long you've served, and the age and service combined when you retire will determine the benefit you get for the rest of your life.

Ms. Martha Hall Findlay: Yes, that's understood. I was looking for the numbers, but I've run out of time.

The Chair: Okay, thank you.

Mr. Ken Georgetti: We can get them for you if you want them.

Ms. Martha Hall Findlay: I would like that, yes.

The Chair: Monsieur Carrier.

[*Translation*]

Mr. Robert Carrier: Thank you, Mr. Chairman. I would like to put a question to Mr. Andersen, who is an economist.

Earlier, in response to my question on the Caisse de dépôt et placement du Québec, Ms. Carbonneau agreed that reforms were necessary with regard to risk assessment in that organization. You made a presentation on the Canada Pension Plan Investment Board. You mentioned that they engaged in speculation inconsistent with the mandate prescribed by law. You're also asking that those shares be sold as soon as possible since they involved too much risk. The impression one gets is that you're suggesting a short-term correction.

Don't you think that the more permanent remedy would focus on the bonuses paid to all those who negotiate the loans everywhere? Representatives of the Canada Pension Plan Investment Board appeared before us. We know that millions of dollars are paid in bonuses to people who make investments in those organizations. So they are definitely paid based on short-term yields, and that involves risk assessment deficiencies.

Don't you think that the problems stem precisely from those policies? In response to our questions on the subject, we were told that these are the standards of the industry. They defended themselves by saying they weren't the only ones who applied this system. Those who invest for the various plans receive performance bonuses. Can you tell us whether that's what's causing the problems in the system righ now?

● (1050)

[*English*]

Mr. Erik Andersen: Thank you for the question.

I'd like to start with a short word. In the investment industry, the cardinal rule that you have to follow is you have to know your client. So by definition, there are 17 million contributors to the CPP you can't know. That means that right from the get-go, you're outside the parameters of what I would call a legal framework. The CPP board I think maybe has a conversation with somebody in the finance division in various provinces. He's the agent on behalf of everyone. Whether or not he's an effective agent, that's another matter; that's for judgment.

Going to your point about incentives, they can be good, but they can also draw you into conflicts of interest and into making mistakes. One current mistake that is one of a number of them—it's in a line of these—is that the CPP board recently, at the end of March, announced that it was going to do a takeover of an Australian company called Macquarie Communications. Macquarie Communications is a P3-modelled kind of company that trades in the open market, and the takeover was to be and is to be at $2.50 Australian. They're seeking 100%. I'd say it's a hostile takeover. That stock traded during the course of this last six months in the vicinity of about 95 cents. The CPP board knows that, but they went ahead at a premium price, which is more than double.

The second thing is they also know that Macquarie Group as the vendor has a tarnished reputation. A group in New York called RiskMetrics Group published about a year ago a scathing assessment of the Macquarie Group model and Macquarie people.

[*Translation*]

Mr. Robert Carrier: Mr. Andersen, I must interrupt you since we are short of time. You're citing a very interesting example. Do you think the performance bonus policy is what's causing inefficiency in pension plans?

[*English*]

Mr. Erik Andersen: That's my reason for giving the example. To me it's an example of an aberration that I'm really upset about. They're even going to borrow money to do it, which is even worse. The incentive programs lead them to that point, as far as I'm concerned.

The Chair: Thank you.

I'm going to take the final round. I want to follow up with Ms. Thompson on the Air Canada issue.

In your presentation, under “How We Got Here”, you identify both structural and cyclical challenges. You talk about the insolvency in 2004 and the problems of the hedge fund owners, but you also talk about the worldwide crisis in the capital markets.

It is a challenge determining where we should go in terms of structural and cyclical challenges. As a member of Parliament, obviously I fly all the time and I see Air Canada employees all the time. What they say to me is, “I've worked 30 years for the company. I've put my life into this company. I've paid into the pension plan, and I deserve to have a pension.” With the 2004 insolvency, their common complaint—and you've heard it before—is that there was a transfer of assets to ACE as a result of that, and that there were some very large payments to executives or shareholders.

I'm not disputing that, but as a member of the government trying to address it, I can't redo the 2004 agreement or the consequences resulting from it. We have to try to deal with the situation that we have now. That may have been unjust; I'm not going to pass a judgment on whether it was fair or not. But what do you recommend we do as a government to address that person and ensure that he has a pension when he retires in the next five years?

You talked about recognizing the need for extraordinary measures. I think I have a sense of what you would recommend we not do, but what would you recommend we do to address both the cyclical challenges in terms of the markets, and also the structural challenges in terms of the challenges Air Canada is facing?

● (1055)

Ms. Katherine Thompson: Actually, I referred to this as an extraordinary “period”; I make no acknowledgement that they need extraordinary measures. I think they would like to take the opportunity of today's extraordinary circumstances to, as you say, take extraordinary measures.

We want temporary and balanced measures. We are not at all convinced, especially in our industry, in which there are such peaks and valleys consistently. Air Canada consistently utilizes the law to contribute the absolute minimum to their pension funds at every opportunity. I think that the laws need to be maintained in place, and they need to help Air Canada through this crisis, but I don't believe they should support them in capitalizing on this crisis to the detriment of the workforce.

The Chair: I'd like to draw you out more on what we would actually do. Are you saying the company should essentially be forced to put in more to make up for that pension shortfall at this time? Is that your recommendation?

Ms. Katherine Thompson: When $3.2 billion was established as being the deficit in the pension fund, it was at the absolute worst time in the markets. I think we would support their having some kind of relief in when and how their payment schedule would be established, but to make permanent changes to pension legislation to accommodate this temporary circumstance would be far-reaching.

The Chair: What do you mean by payment relief?

Ms. Katherine Thompson: It's amortization.

The Chair: Would you be okay with the ten-year temporary amortization again?

Ms. Katherine Thompson: With consent, and on a temporary basis, it is absolutely something we would consider, but Air Canada is seeking a permanent ten-year amortization, with no consent on the part of the plan-holders.

The Chair: Mr. Georgetti, I only have a minute left, but do you want to comment?

Mr. Ken Georgetti: I would draw you back and suggest that you take a look at that extraordinary financing framework. It's in your budget. There's $200 billion there. In Air Canada's case, if they have a genuine problem, it would be a simple matter for the government to issue them a letter of credit equivalent to their deficit so that when they go through restructuring they won't have a pension liability. It could be covered by the government. Air Canada will have to pay that back once they come out of insolvency. It would be a simple matter and it would clear the books immediately.

The Chair: Under the extraordinary framework, under what measure would you issue the letter of credit?

Mr. Ken Georgetti: Under the extraordinary financing framework that you announced, you can issue letters of credit for pension.

The Chair: Mr. Harden, you have 20 seconds.

Mr. Joel Harden: Thank you.

The Business Development Bank of Canada has within its budget, as I understand, a $12 billion tranche of that larger framework.

● (1100)

The Chair: Is that the secured credit facility?

Mr. Joel Harden: Yes, that's correct. And the banking institutions don't appear to want to access....

The Chair: That's for the auto sector, right?

Mr. Joel Harden: Terms of reference can be fluid. The banks don't appear to want to access the loan guarantees you've offered them. Employers who create jobs and wealth in the economy want to keep doing that, so it would appear to be a win-win opportunity for you.

The Chair: Okay.

Time is up, unfortunately.

I thank you all for your presentations here today and for your responses to our questions.

Colleagues, I thank you for your participation.

The meeting is adjourned.

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