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Chair

Mr. James Rajotte

Standing Committee on Finance

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● (1035)

[*English*]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): Order, please. I call this meeting to order; it's meeting number 62 of the Standing Committee on Finance.

We are here, colleagues, discussing Bill C-51, an act to implement certain provisions of the budget tabled in Parliament on January 27, 2009.

We have with us, for the next hour and a half, six organizations presenting on this piece of legislation. We have the Canadian Home Builders' Association, Home Depot Canada, the Canadian Labour Congress, Fédération des femmes du Québec, the Canada Pension Plan Investment Board, and FADOQ Mouvement des Aînés du Québec.

Welcome to the committee, all of you. Thank you for being with us.

You each have up to five minutes for an opening statement. We will start with the Canadian Home Builders' Association.

Mr. Gary Friend (President, Canadian Home Builders' Association): Thank you, Mr. Chairman.

Let me introduce John Kenward, chief operating officer of the Canadian Home Builders' Association. I'm Gary Friend, CHBA's national president, and I've been building homes in the Surrey area of British Columbia for 25 years.

The Canadian Home Builders' Association represents Canada's residential construction industry. Our membership includes new home builders, renovators, developers, suppliers, trades, manufacturers, lenders, and other professionals.

Today I'd like to provide the committee with brief comments on some of the aspects of Bill C-51. I will focus my remarks on how the bill relates to the home renovation sector of our industry. Specifically, I want to address the home renovation tax credit and the issues pertaining to home renovation activities by Canadians.

The CHBA supported the introduction of the home renovation tax credit earlier this year. Given the economic uncertainty that confronts our nation, the HRTC is an appropriate measure to stimulate consumer investment in home repair and renovation. The HRTC is having a significant and positive effect on the level of home renovation activity across the country. In their work with customers, renovators report that the HRTC is a significant factor in motivating homeowners to initiate home renovation projects. This view is reinforced by retailers of building materials, who also report increased sales as a result of HRTC. In short, the experience of our industry is that the HRTC is stimulating a significant level of economic activity.

Here are some additional brief comments I'd like to offer the committee in relation to HRTC.

First, there is evidence that the HRTC is complementing other federal initiatives, such as the ecoENERGY home retrofit program. Our renovator members report many consumers are including energy efficient measures in their projects. This allows them to take advantage of both the HRTC and ecoENERGY grants as well as compatible provincial grants and incentives.

This observation is supported by data from Natural Resources Canada showing an impressive consumer demand for home energy evaluations, a prerequisite for ecoENERGY grant availability. Taken together, the HRTC and the ecoENERGY grants form an effective package that is working well. This is stimulating home renovation projects that are enhancing both the value and environmental performance of Canada's housing stock.

The HRTC is also delivering another important benefit: it's encouraging consumers to carry out their projects using the services of legitimate tax-paying renovators. By requiring receipts to support HRTC claims, the government is moving consumers away from dealings with underground cash operators. Given the Canada Revenue Agency's apparent inability to address the underground cash economy through tax compliance measures, it's instructive to see that the HRTC is having a positive impact in this area. This benefit is shared by consumers, who are better served by dealing with legitimate tax-paying companies. It also benefits governments through higher tax and other revenues that would otherwise be lost to the underground economic activity.

I will conclude my comments with a caution. It's clear that the HRTC is having a very positive impact on the level of home renovation activity in Canada. This initiative will end by early-2010. A few months later, harmonized sales tax will be introduced in both Ontario and British Columbia, resulting in a tax increase on home renovations in the amount of $1 billion each year. Our industry is extremely concerned about this situation. Clearly, it will have a significant impact on both the level of renovation activity and the number of jobs lost to the underground cash economy. To put it more simply, the prospective benefits flowing from the HRTC will be more than nullified by the impacts of sales tax harmonization.

In order to address the situation, the CHBA is calling upon the federal government to introduce a permanent 2.5% GST rebate for home renovation expenditures. This would achieve tax neutrality with the pre-GST federal sales tax. In both Ontario and British Columbia, we're urging provincial governments to enact similar renovation tax rebates to achieve tax neutrality in relation to the provincial portion of harmonized sales tax.

I would point out that our association recognizes that harmonized sales tax offers broad economic and competitive benefits. However, housing presents a very unique case, where HST impacts will be particularly significant and unfair. This presents an acute problem in relation to home renovations and can be best addressed through a permanent renovation tax rebate.

Thank you.

● (1040)

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

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

Mr. Michael Rowe (Vice-President of Finance and Chief Financial Officer, Home Depot Canada): Mr. Chair and members of the committee, my name is Michael Rowe, and I'm the vice-president and chief financial officer of Home Depot Canada. Thank you for the opportunity to appear before the committee to share Home Depot Canada's perspective on the importance of timely passage of Bill C-51.

By way of a brief introduction, Home Depot is the world's largest home improvement retailer. It currently operates more than 2,200 stores, including 179 across Canada. Globally, our company employs more than 300,000 people, including more than 27,000 Canadians.

I am pleased to be here today to voice Home Depot Canada's support for Bill C-51, and in particular for the home renovation tax credit.

Since the Government of Canada announced the tax credit as an economic stimulus measure in the 2009 federal budget, Home Depot Canada can attest that it has been a motivating force for consumers. Whether Canadians are looking to install new windows or doors, renovate their kitchens, or even landscape their family homes, a potential $1,350 in tax savings has given them the incentive to undertake and complete these projects.

We have seen the results of the stimulus in increased demand for products and services and believe that the stimulus did much to temper the impact of a rapidly worsening sales environment across our industry beginning in the fourth quarter of 2008. Home Depot Canada is such a firm believer in the home renovation tax credit as an economic stimulus that we offered our own retail incentive program to align our promotions with the value the credit offered our customers.

In March 2009 Home Depot launched its home renovation tax credit top-up program. Customers, during specific promotional periods, had the opportunity to earn up to $1,000 over and above the federal tax credit in Home Depot gift cards. We also implemented a robust advertising and media campaign, ensuring that consumers knew about both the federal tax credit and our top-up program. Many of our industry counterparts stepped forward with campaigns of their own.

In the first month after the Government of Canada introduced the initiative, our website page dedicated to the HRTC received more than 75,000 page views, well exceeding our expectations. As we launched our top-up program, this number swelled to more than 225,000 in the second month and is now closing in on 600,000 page views. That's significant, and it's telling.

From the beginning, the HRTC captured Canadians' interest. But the HRTC has done more than capture interest. It kept many contractors in work and put other contractors back to work. It restored consumer confidence, improved retail sales, and directly and positively enhanced the sustainability and growth of the Canadian home improvement industry. Home Depot's top-up program, along with our new lower prices program, helped Canadians take on projects big and small and encouraged them to continue investing in their homes.

To put a finer point on this discussion, many of the products and services we sell in our stores are HRTC-eligible, but some are not. We know that HRTC-eligible products have significantly outsold ineligible products since the introduction of the program. To date, more than 200,000 consumers have taken advantage of our top-up program to varying degrees. And because this program involves the distribution of gift cards, we anticipate that it will continue to bring customers back to our stores and will keep them engaged with the contractor community well into 2010. Already Home Depot has given millions of dollars back to customers in gift cards.

In conclusion, I would like to underscore the importance of the home renovation tax credit to the Canadian home improvement industry, to contractors, and to the many Canadian consumers who, with the help of the federal tax credit, are investing their own dollars to help spur the economy. We have seen the benefit of the tax credit to our business, through consumer tracking, and have seen an increase in consumer spending, particularly this past summer and this fall, as a result of both government and industry advertising campaigns.

On the topic of advertising, we have one minor but important request. The industry would value greater clarity in government marketing collateral related to eligibility requirements before the tax credit end date.

The home renovation tax credit is a key component of Bill C-51, and many contractors and retailers, including Home Depot Canada, have invested considerable resources to promote it. Many Canadians have already made renovations in good faith that Bill C-51 will be passed into law. For this reason, I urge committee members to ensure its timely passage in Parliament.

Thank you.

● (1045)

The Chair: Thank you, Mr. Rowe.

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

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

On behalf of the 3.2 million members of our Canadian Labour Congress, we want to thank you for affording us the opportunity to present our views.

The Canadian Labour Congress brings together Canada's national and international unions, along with provincial and territorial federations of labour and 130 district labour councils, which work in virtually all sections of the Canadian economy, in all occupations, in all parts of Canada.

We'd like to comment on the Canada Pension Plan provisions of Bill C-51.

By way of introduction, as members will be aware, we view the CPP as a key platform for the income security of Canadians in retirement. The CPP provides a secure, portable, inflation-indexed, defined pension benefit at a very low administrative cost. The major problem with the CPP as it exists today is that it replaces only 25% of earnings up to the average earnings level, and less for those who earn more than the average.

The CLC has proposed to phase in a doubling of CPP benefits in order to create a much improved public pension system for our children, gradually taking some of the burden off of the troubled systems of private retirement savings and employer-sponsored pension plans.

We believe major improvements to the CPP, among other issues, should be debated and discussed at a national pension forum. This should include employers, unions, pensioner groups, and organizations with a direct stake in pensions, as well as federal and provincial governments, who are jointly responsible for pension policy, including the direction and management of CPP.

We believe there should be much more scope for input to the management of CPP than has been the case to date. After all, employers and workers pay the premiums that fund the plan, and its fundamental objective is retirement security for working people.

While welcoming some of the changes made in this bill, we do have concerns with the increased penalties for early retirement. We think there should be much more consultation before these changes are implemented. Penalties that were proposed before the current economic crisis will have to be rethought, we think, in the new context of high unemployment and what promises to be a very slow economic recovery.

We welcome the fact that a person will be able to take up their retirement pension as early as age 60 without the requirement of a significant work interruption or earnings reduction. This will allow workers to begin to collect their Canada pension without completely withdrawing from the workforce. If they choose to continue to work between age 60 and 65, most likely in a different job or on a part-time basis, they and their employer will be required to contribute to the CPP until age 65, thus raising their pension benefit. The measure will likely encourage some workers to phase in their retirement by combining an early CPP pension with part-time work. But it will also allow low-paid older workers to supplement their earnings with an early CPP pension.

The bill allows for an extra year of low or no earnings to be excluded when calculating Canada pension benefit. This is welcome, but it is not enough, we think, to take into account the fact that the entry into the full-time workforce now typically takes place at a much later age than when CPP began, as participation in post-secondary education, as we've all seen, has soared.

The bill also sets the framework for changing the adjustment factors that apply to early or late take-up of retirement pension starting in 2012 and phased in over five years. The plan is to raise the amount by which the CPP is reduced, if taken before age 65, from 0.5% to 0.6% per month. Eventually, a worker who takes up the CPP at age 60 will lose a maximum of 36% of their benefit. That's compared to 30% today. Those who work past age 65 consequently will receive a higher benefit.

The intent of government, I think, is to encourage older workers, especially baby boomers now nearing retirement age, to stay in the workforce longer. An admirable goal, we think, but we question whether this is still appropriate given these changing economic circumstances.

All governments were recently anticipating significant future skill shortages. While these may still emerge in some occupations, such as the skilled trades and in health care a little, Canada will not now face a general shortage of workers in the near to middle term. Demand from employers in future years is likely to be much lower than what was once thought likely to be.

● (1050)

For example, future demand for skilled trades workers in the manufacturing sector is going to be lower because of plant closures—permanent plant closures, I might add—while many skilled trades workers have recently joined the ranks of the unemployed in startling numbers, if you want to look. The economic crisis will make it much more difficult for younger workers to find jobs because there will be fewer good jobs and also because many baby boomers are going to now retire later than they had planned in order to rebuild their retirement savings. And increasing penalties for early retirement may well raise youth unemployment. In fact if you look at the EI numbers, the largest block of re-entry into the workforce is people 55 years old and older.

In conclusion, we urge the federal and provincial governments to reconsider today imposing additional penalties on early take-up of CPP benefits until circumstances have changed. This issue should be debated at a national pension forum, which I think all of us have called for.

I'd like to just say thank you for listening to our submission, and we wish you good luck in your deliberations.

The Chair: Thank you for your presentation, Mr. Georgetti.

[*Translation*]

You may proceed, Ms. Conradi.

Ms. Alexa Conradi (President, Fédération des femmes du Québec): Thank you very much.

I represent the Fédération des femmes du Quebec, the umbrella organization for 165 women's groups across Quebec, for committees of women from the labour movement and independent women's groups. We are concerned about women's economic independence and I want to thank you for the opportunity to address the committee today on the subject of the Canada Pension Plan.

The economist with whom we usually work is in Quebec City consulting with the government. Therefore, I am here mainly to answer policy questions. As you know, the Quebec Pension Plan is currently being reformed and often, the QPP is harmonized with expected changes to the CPP. So then, our attention is taken up both by the ongoing debate in Quebec and by the debate taking place here in the House of Commons.

In the case of Bill C-51, the proposed changes must be approved by Quebec lawmakers and by two-thirds of the other provinces representing two-thirds of the Canadian population. That means that even if Parliament adopts the proposed pension legislation, additional steps would need to be taken before the bill becomes law.

However, in so far as actuarial adjustments are concerned, we expect that from now on, these issues will be dealt with through regulations, which creates two problem. Firstly, this approach depoliticizes the debate surrounding increases and often more so in the case of planned cuts, or planned increases in the penalties provided for under the scheme. It also means that changes could be made without the approval of the Government of Quebec, that is of the Quebec National Assembly.

The proposed legislation provides for actuarial adjustments. These adjustments will affect people who retire before 65 years of age. This means that maximum benefits which until now totalled $7,634 at age 60, could be reduced to $6,979. This represent a reduction of 9%. Women already receive two thirds of what men receive, because historically they care for persons with diminishing abilities and for children, meaning that they spend less time in the workforce than most men. Women also continue to earn two thirds of what men do in Canada and consequently, they are further impoverished. The measures set out in this bill will impoverish women, who are already among the poorest members of society in Canada.

Not only does this bill make them poorer, it maintains their economic dependence, in particular during economic hard times. Even women who may have had some private savings experienced a drop in their standard of living.

Like my previous colleague, our federation would like to see the whole CPP issue withdrawn from this bill and opened up to a much broader, more substantial public debate than we have seen thus far. I understand that cross-country consultations are being held on the subject, but there has been no public debate and I'm not sure most Canadian women realize that the government is planning to introduce measures that will substantially and adversely affect their standard of living.

In light of demographic changes, the aging population and the fact that we are living longer, we agree with any initiatives aimed at getting people to remain longer in the workforce. However, they should be able to do so without being penalized. If there is time later, we would like to put forward a number of recommendations on this very issue.

Thank you.

● (1055)

The Chair: Thank you for your presentation.

[*English*]

We'll go to Mr. Butler, please.

Mr. John Butler (Senior Vice-President, General Counsel and Corporate Secretary, Canada Pension Plan Investment Board): Thank you, Mr. Chairman.

My name is John Butler. I'm general counsel with the CPP Investment Board. I'm here with my colleague Ian Dale, who is SVP, head of communications and government relations.

I'm here this morning to discuss the provisions in part 2 of Bill C-51 that will amend our governing statute, the Canada Pension Plan Investment Board Act. We do not intend to, and in fact we are not able to, comment on any other aspects of Bill C-51, as we're not familiar with them.

In order to assist the committee, and in anticipation of your legislative work this afternoon, I thought it would be helpful to provide some context by briefly outlining the background as to why these amendments to our governing statute are being proposed.

The first amendment, clause 44 of Bill C-51, proposes to repeal section 37 of our statute. As you recall, the Income Tax Act formerly contained rules restricting the amount of investments that certain taxpayers can make in foreign property to essentially 30% of the cost of all property held by the taxpayer. If the 30% threshold were exceeded, a monthly penalty tax would be charged.

The Canada Pension Plan Investment Board is not itself taxable under the Income Tax Act. Nonetheless, section 37 was originally included in our statute to require the CPP Investment Board to comply with the foreign property rules in the Income Tax Act. As you all know, the foreign property rules were repealed in their entirety in June 2005. Accordingly, since that time section 37 has been a meaningless provision in our statute.

Bill C-51 proposes to repeal that section. It's a matter of housekeeping, simply to remove a redundant and possibly misleading section. The Canada Pension Plan Investment Board endorses this amendment.

The second change to our statute, found in clauses 45 and 46 of Bill C-51, is an amendment to section 53 of our statute. This too is not a substantive change to our legislation, and the CPP Investment Board endorses it as well. Section 53 deals with the manner in which the federal cabinet makes regulations under our governing statute. It provides that regulations made by cabinet have no force or effect until they are approved by the appropriate provincial minister of at least two thirds of the participating provinces—which for this purpose does not include Quebec—having not less than two thirds of the population in those provinces.

The reason for this rule, and another rule I'll refer to briefly at the end of my remarks, is that the CPP, formed in 1966, and the CPP Investment Board, established in 1997, both resulted from cooperation between the federal government and the provinces; therefore, the provinces have an equal voice in any change to both the terms of the CPP and the powers of the CPP Investment Board.

The history of the proposed amendment to section 53 is that in the course of the review of the change made to one of our regulations in 2007, the Standing Joint Committee for the Scrutiny of Regulations noticed that the required provincial approval to the change was obtained before the change was proposed to the federal cabinet, as was the established practice. Legal counsel for the standing joint committee was of the view that this method of enacting regulations did not comply with section 53.

In order to resolve this issue as effectively and efficiently as possible, we agreed with the Department of Finance that section 53 would be amended to expressly allow for prior approval of changes to our regulation by participating provinces, provided that the approved version of the regulations was the same, or substantially the same, as the version ultimately put to cabinet. We also agreed that for the purposes of complete certainty, it would be confirmed that all regulations enacted under our statute to date were in full force and effect. That is therefore the purpose of the amendments to section 53 of our act. As I've already mentioned, the CPP Investment Board fully supports these amendments.

With respect to my final point, while Bill C-51 does not say so expressly, these changes to our statute need to be approved by the provinces by reason of subsection 114(4) of the Canada Pension Plan. That section provides that any changes to the CPP Investment Board Act must be approved by the provincial cabinet of at least two thirds of the provinces—which in this case does include Quebec—having not less than two thirds of the total population.

As mentioned, this approval requirement stems from the fact that the CPP and the CPP Investment Board are the result of a cooperative effort among the provinces and the federal government. As a result, these provisions of Bill C-51 will not come into force, even after they have been approved by Parliament, until the required provincial approvals have been obtained.

As my co-presenter, Ms Conradi, has just pointed out, this same requirement exists in relation to the changes to the Canada Pension Plan included in Bill C-51.

We thank you for the chance to address you today.

● (1100)

The Chair: Thank you for your presentation, Mr. Butler.

We'll finish with Monsieur Grondin.

[*Translation*]

Mr. Jean-Claude Grondin (President, FADOQ Mouvement des Aînés du Québec): Good day. I represent an organization of Quebec seniors, 255,000 strong, aged 50 years and over. These individuals will be affected by possible regulations governing pension funds and bankruptcies.

The FADOQ's mission is to maintain or improve people's standard of living. A decent income is a contributing factor to a normal standard of living.We are receptive to the possible changes in so far as being able to retire early without a penalty goes, provided that the measure is fair to everyone, especially to those who are, or would be penalized, based on the number of years of employment, or because of the current crisis or the losses they have incurred and the problems someone age 50 and over has finding a job after being laid off.

The age issue is a reality. It is never easy for someone to find a new job. Despite the supposed job shortage, this problem is likely to continue for some time. We agree that persons who claim their pension at 60 years of age should continue to pay premiums if they continue to work. This is fair to all of the other people who work. They should not be penalized either. Paying premiums should be of some benefit to them later. We also believe and agree that people aged 65 and over should be able to opt out.

Income protection is something that interests us. Not only must income be protected, it must be guaranteed to ensure a decent, adequate and normal standard of living. Many people are single and as they get older, the odds of them being alone grow. Many more women live alone and they may not necessarily have worked for 35 years. There are more women in the workforce today than in the past. Those who are the most disadvantaged are older persons who get by on a minimum income. Income security in retirement is a major consideration. On the subject of equity, it is important to consider the different generations of workers, so that no one is disadvantaged by the provisions that you are introducing.

I would now like to draw your attention to another matter, namely amendments to the Bankruptcy Act. We believe that persons who lose their job face a very real danger and even run the risk of losing part of their pension funds. That is completely unfair and totally unacceptable. Their pension is based on past work and this overall compensation was agreed to by both parties. A contract, so to speak, is being entered into and if the terms of that contract are not met, we ask that when a bankruptcy is declared, pension contributions be deemed a senior debt, for the sake of fairness. We know that in the case of a bankruptcy, a person who loses his job at the age of 60 will have a very hard time finding work and that if that person's pension fund is penalized, that will amount to a lifelong penalty.

Let me back up a little. We support certain measures aimed at encouraging people to remain in the workforce, but there needs to be a real incentive to do so.

● (1105)

Workers are a society's main resource. If they are not encouraged to work and if they are penalized because of certain ill-advised regulations...

The Chair: Thank you very much.

[*English*]

We will now go to questions from members. We'll start with Mr. McCallum, please.

[*Translation*]

Hon. John McCallum (Markham—Unionville, Lib.): Thank you all for joining us this morning.

[*English*]

We appreciate your careful argument and your presentations. I think, however, to be frank, the vote on this bill is largely preordained at this point, barring some very major surprise, so I'll limit myself to one question, about pensions going forward.

I'd like to ask Mr. Georgetti and either Mr. Dale or Mr. Butler the same question, because I believe the president of CPPIB had expressed some interest in some kind of expansion of the Canada Pension Plan. I'd like to try to see where there's a similarity and where there may be a difference between the two. So I have two questions.

If one is talking about an expansion of the Canada Pension Plan, is it the idea that this be voluntary or compulsory? Secondly, if there were to be such an expansion, are we talking about defined benefit or defined contribution? If it's defined benefit, one would then have to ask a further question on what to do about the intergenerational subsidies. If you provide a defined benefit, you give an older person far more than he or she should get actuarially, and thereby ask the younger people to subsidize it or not. If you do a defined contribution, then you don't have that issue.

So is it voluntary or compulsory? Is it a defined benefit or a defined contribution? Can I pose that question to both parties? I think they have their positions on the table.

Mr. Ken Georgetti: I think the question is a fair one. We think the expansion should be compulsory. I might add that the cost of that expansion is less than the fees charged for a private RRSP, by the way. We think it should be a defined benefit program, but we also argue in our presentations that it should be phased in, and it should be phased in so that the people making the contributions get the benefit. Unfortunately, the people presently or in the next seven years going to collect their CPP wouldn't receive any increased benefit over this. It would just be for the people who made the contribution.

Hon. John McCallum: Thank you.

Mr. Ian Dale (Senior Vice-President, Communications and Stakeholder Relations, Canada Pension Plan Investment Board): Thank you, Mr. Chairman, for the chance to answer that question.

In a speech given in Ottawa in mid-September, our CEO, Mr. Denison, laid out a number of facts that could be considered by policy-makers, making it very clear that policy matters are to be decided by federal and provincial legislators. We are an investment management group, but given that we were created by the successful reforms of the CPP more than ten years ago, we have some experience with one of those models.

I will pick up on what Mr. Georgetti said. In that speech we outlined a number of potential options. So in that speech an idea was put forward, a hybrid option, which was potentially a stronger CPP, which would have the benefits of a defined benefit plan and risk pooling, combined with the choice of a broader defined contribution plan.

We weren't making any prescriptions; we were simply laying out a few ideas.

● (1110)

Hon. John McCallum: Thank you very much.

Thank you, Mr. Chair.

The Chair: Thank you, Mr. McCallum.

We'll go now to Monsieur Laforest.

[*Translation*]

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

I would like to welcome the witnesses.

My question is for Mrs. Conradi.

Earlier, you expressed some concerns over decisions affecting the Canada Pension Plan. The QPP has always adjusted to changes, unless of course the reverse is true. I don't have any specific examples to give you.

Are you worried that some decisions may be imposed on Quebec and that it will have no say in the matter? Or are you worried that we will be caught up in the process and forced to adopt the same measure, even though the QPP has always adjusted itself?

Ms. Alexa Conradi: It's not a question of any obligation to conform or of having some measure imposed. The federal Department of Finance and the provincial finance departments in fact appear to be working together to develop a certain number of criteria. Quebec is entirely at liberty to adjust its own regime as it sees fit. However, traditionally, the different regimes are harmonized to a great extent to facilitate exchanges between the provinces, and the movement of workers from province to province. Therefore, it's not a case where measures can be imposed.

However, it is clear that Canada-wide measures will have a significant impact on the choices that the Government of Quebec will eventually make, particular in terms of making people poorer. I am concerned about regulatory changes with respect to actuarial assessments and how this might translate into a loss of authority over the plan for the Government of Quebec.

To be honest, what truly interest us is fighting personal poverty in Canada and Quebec.

Mr. Jean-Yves Laforest: Thank you very much.

Mr. Jean-Yves Roy (Haute-Gaspésie—La Mitis—Matane—Matapédia, BQ): I'd like to come back to you, Mr. Godin. You advanced certain hypotheses, and I know many solutions have been suggested to deal with the problem of corporate bankruptcies and that basically, pensions are considered to be an unsecured claim or debt.

I'm interested in hearing what kinds of solutions the FADOQ has to propose.

Mr. Jean-Claude Grondin: It would be a little presumptuous of us to propose solutions per se, but we would like pension funds to be guaranteed, just as companies were helped, by spreading reduced benefits over 10 years. We are not opposed to this idea provided the pension fund is not penalized. This political decision would subsequently become an actuarial decision. Workers earned their pension through past employment and pensions are just a form of differed remuneration or part of their overall compensation. It would be unfair to deny workers their pension.

Consequently, we are asking the government that in cases where a company closes down, or declares bankruptcy and can no longer honour its commitments, to guarantee employee pensions, so that workers are not penalized after the fact.

● (1115)

Mr. Jean-Yves Roy: So then, you are asking for a guarantee on the government's part.

Mr. Jean-Claude Grondin: Precisely.

The Chair: Thank you, Mr. Roy.

[*English*]

We'll go to Ms. Block, please.

Mrs. Kelly Block (Saskatoon—Rosetown—Biggar, CPC): Thank you very much, Mr. Chair.

Thank you to all of you for being here this morning with us.

My questions this morning are going to be for Mr. Rowe and Mr. Friend. I have heard so many reports from my constituents about our home renovation tax credit, so I'd like to ask some questions on that.

Mr. Friend, can you comment on the first-hand effects you've witnessed in regard to the home renovation tax credit and the first-time home buyers' tax credit in the day-to-day operations of your business?

Mr. Gary Friend: Our members have reported that when these came in, they picked up work immediately in terms of activity, the consumers' interest.

We have renovators in my own area in Vancouver who are booking almost six months to a year in advance, even today. They tell me that the home renovation tax credit was one of the first things in the consultation that people discussed with their renovator; it brought them to the table. And of course a lot of their renovations involve energy upgrades and they're actually for more than the $10,000 threshold of the tax credit.

When the first-time home buyers' tax credit came out it was well received in terms of helping young buyers get into their first home.

Mrs. Kelly Block: Thank you.

How do you feel these initiatives have helped during the global economic crisis here at home?

Mr. Gary Friend: I think there's no question it's increased economic activity. It's created jobs. It's definitely shown consumer confidence in renovating their homes. I think it's done a lot of good for the industry and for consumers.

Mrs. Kelly Block: Thank you very much.

Mr. Rowe, can you give the committee an idea of how the measures in Bill C-51 have had an impact on the number of Canadians employed in your industry? Do you think these measures helped to save or even create jobs?

Mr. Michael Rowe: Certainly in the retail industry we represent, one member of a number of bodies, we need to keep our labour pool commensurate with our sales performance. As that came off in the fourth quarter of last year, you had to make adjustments accordingly. Near the end of the second quarter of this year, as that stimulus and the confidence did start to return on behalf of consumers, we did see that rebound again. Therefore now we're in a situation where our sales are growing versus the prior year and we're having to hire to be able to look after the sales coming into our stores. I'm sure our competitors are feeling the same.

Mrs. Kelly Block: Could you describe customer reaction as you have experienced it?

Mr. Michael Rowe: Certainly. It was announced in February. I think we were first out of the gate in terms of getting our web page up with respect to the home renovation tax credit, and we saw 75,000 hits to that site in the first month. We introduced a top-up program beyond that in March. Then it swelled to almost 300,000, and we've seen another close to 300,000 engage from our standpoint.

Close to three-quarters of the products we sell in our stores are eligible for this home renovation tax credit, but one-quarter of our products are not. When you look back at the fourth quarter of last year, they're performing relatively the same. Then after the home renovation tax credit was introduced, it created a separation between those that are eligible and those that are not. When we have got behind it with further incentives from time to time, that spread in terms of sales performance for eligible items has grown even more.

Really, as Mr. Friend was saying, with that confidence now returning, reaching a low point in the fourth quarter of last year and probably the first quarter of this year, that is giving Canadians more confidence to make these kinds of high-end purchases.

Mrs. Kelly Block: Thank you.

Mr. Friend, could you comment in terms of the measures in Bill C-51 and the impact on the number of Canadians employed in your industry?

Mr. Gary Friend: If you look at the renovation activity over the last year, it has remained flat after ten years of solid growth. When you compare it to the new housing side of the industry, which had double-digit drops in starts in some cases, I think it obviously has kept the industry stronger in these tough times and in job creation as well.

Mrs. Kelly Block: Thank you.

The Chair: Thank you, Ms. Block.

We'll now go to Monsieur Mulcair.

[*Translation*]

Mr. Thomas Mulcair (Outremont, NDP): Thank you, Mr. Chair. I would like to thank all of the witnesses for joining us today. Your comments will be of great help to us as we continue to study Bill C-51.

[*English*]

Dr. Kenward, Mr. Friend, thank you again for being here. It's the second time I've had occasion to listen to the Canadian Home Builders' Association, and the depth of your analysis is a great deal of help to us.

● (1120)

[*Translation*]

Thank you very much for coming here, Mr. Grondin. The FADOQ is an important partner, one that is not mentioned often enough on this side of the Ottawa River.

I will begin with you, Mrs. Conradi. The FADOQ and the Fédération des femmes du Québec were invited here at the suggestion of the NDP, following a message that we received recently alerting us to the implicit danger of regulatory action being taken, instead of Parliament openly passing legislation, and of the danger that no analysis would be done or public debate held on this matter.

I want to assure you that the committee has unanimously resolved that once the expert report on pensions has been tabled at next month's joint federal-provincial meeting in Whitehorse, additional hearings will be held. You can rest assured that your urgent message was heard, and that for us, women and the particular impact these measures will have on women will be a priority.

You hinted that you might have other proposals to put on the table, such as ways of extending a person's time in the workforce without that person incurring a penalty. I'd like you to elaborate on these proposals.

Ms. Alexa Conradi: Thank you for your question. This is a rather technical matter and I will try to explain it as best I can. We call it the 15-42 formula. Allow me to explain the formula to you.

It is described as follows: According to this formula, contributors would still be able to drop 15% of the lower-earning periods during their career. For the purposes of pension calculation, these years are replaced by an average for the other years, which is then divided by 42, or the number of years between 18 and 59 years. Using this formula, claimants will receive the same amount that they now receive with the current formula, if they choose to retire at 60 years of age. However, for every year they continue to work after the age of 60, their pension amount will be improved, whether or not they have applied for their pension. What we are proposing is a pension calculation formula that makes working beyond 60 years an attractive option, without any radical or repressive cuts as the government is proposing. For nearly 30 years, the feminist movement has been demanding improvements to the QPP to replace the 50% of pre-retirement income. Maximum eligible earnings would be comparable to eligible earnings under the Quebec automobile insurance plan and the Quebec Parental Insurance Plan.

Basically, under this formula, 15% of lower-earning periods can be dropped when calculating an average for 42 years.

Mr. Thomas Mulcair: Thank you.

[*English*]

Mr. Dale, I would be remiss if I didn't ask you if the CPPIB didn't have the chance to respond to the minister's invitation to be prudent with regard to the granting of multi-million-dollar bonuses in light of the fact that CPPIB had lost multi-billion dollars of deposit money. So perhaps you could tell us if and when you answered the minister, and did you still pay yourselves those huge bonuses?

Mr. Ian Dale: Thank you, Mr. Chairman. I'd be pleased to answer Monsieur Mulcair's question.

I think with regard to compensation, the compensation at the CPP Investment Board is the sole responsibility of the board of directors, and I think that the compensation is paid out over multi-year periods. For instance, I know that the portfolio declined last year in line with markets, but the compensation is based on longer-term performance and is paid out over longer periods of time, in line with long-term performance.

Mr. Thomas Mulcair: I thank Mr. Dale for that fulsome explanation that completely avoided my question, so I'll repeat it. Did you or did you not roll back pursuant to the minister's request, who cited the G-8 and the G-20? Did you continue with the same multi-million-dollar bonuses that had already been planned by the board of directors, or did you roll them back when the minister wrote to the same board of directors?

You're here as the vice-president responsible for communication. Communicate with me, Mr. Dale.

Mr. Ian Dale: Thank you, Mr. Chair. I'd be happy to do that.

First of all, obviously our organization is very respectful of the views of Parliament. In June, Minister Flaherty did write a letter to all financially related crown corporations, and in that letter he asked if the compensation principles complied with the G-20 principles on compensation. Just to explain to the members a little bit about those principles, they are that compensation is to be based on long-term performance, that it is not to encourage short-term risk, and that any incentive payments be paid out over longer periods of time, and completely in line with long-term performance.

● (1125)

Mr. Thomas Mulcair: Maybe it's the trial lawyer in me, Mr. Dale, but am I to understand from that second long answer that completely avoided the question that you did not roll back those multi-million-dollar bonuses for the multi-billion-dollar losses, as requested by the minister in his letter? Did you indeed maintain the bonuses at the level they were at when the minister wrote to you? Yes or no would be fine as an answer.

Mr. Ian Dale: First of all, Mr. Chairman, let me again give a bit of context around that answer. I would say that the board of directors of the CPP Investment Board consider the compensation framework to be totally appropriate for managing a global fund of $117 billion.

I would like to give committee members just a bit of context here. We are operating in the way that ten governments asked us to operate ten years ago. In the reforms of 1996-1997, the CPP Investment Board was set up to operate independently from government but to be very highly accountable to ten finance ministers. By design, the CPP Investment Board board of directors makes important decisions on investments, hiring, and compensation. So we are acting as we should, and our board of directors believes that compensation framework is appropriate.

Mr. Thomas Mulcair: I'll try to summarize, Mr. Chairman, in ending.

You lost billions of dollars of your deposit money. You paid yourselves multi-million-dollar bonuses. The Minister of Finance of the Government of Canada wrote you a very nice letter asking you to reconsider, and you kept those bonuses. They haven't been changed. That's what I retain from your testimony.

Thank you very much for your presence here, Mr. Dale. Your first three answers, where you completely avoided the question, were quite enough as far as I am concerned. I don't need a fourth one. Thank you.

The Chair: Thank you, Mr. Mulcair.

Mr. Dale, do you want to...?

Mr. Ian Dale: There is perhaps one other thing. In the response to Minister Flaherty, where there was a comparison done between our compensation system and the G-20 principles, they were found to meet or exceed those principles, and the fact is, those are the principles that G-20 leaders are now promoting as being leading best practice for financial institutions.

The Chair: Thank you.

Merci, Monsieur Mulcair.

We'll go to Mr. Pacetti for a brief question.

Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.): I'm almost tempted to ask the same question, but I don't know if I want to give up my whole five minutes to hear the same regurgitation.

Let me ask a separate question. Was there a written reply to Mr. Flaherty's letter?

Mr. Ian Dale: Yes, there was. It was sent to Mr. Flaherty and the other provincial finance ministers to whom we're accountable. We'd be happy to share that letter with the committee.

Mr. Massimo Pacetti: That might be a start.

Mr. Rowe, I have a quick question. We don't have a written copy of your speech, but I think you said you'd like the government communication—or the legislation—to make the home renovation a little clearer. I'm not sure what you referred to. Can you make your comments a bit clearer?

Mr. Michael Rowe: On the fact that it ends at the end of January, some consumers are probably confused over whether they have to have it all installed by then, if it requires a contractor, or whether they can just have it purchased and then it can be installed later. That would probably be the most significant.

Mr. Massimo Pacetti: We had the bureaucrats here, and their point was that as long as it was paid for, it was fine. But you have situations, for example, with bigger contractors installing windows. You may order the windows, but not necessarily have them installed. What do you do in that case? As somebody who would have given the contract, I don't necessarily go to the shop factory and see if the windows were actually built. So how do we do that?

One of the recommendations was to have the invoice separated to show that the building portion but not the installation portion was completed by January 31. I'm not sure if that's logistically possible. I'm not sure in your case how that could be done.

Mr. Michael Rowe: I know we can split up the product versus the labour, but I don't know if all retailers can. So it's not a matter of —

Mr. Massimo Pacetti: In your case you could?

Mr. Michael Rowe: Sure, we can separate the product from the labour itself. You can get all the product and have it in your house even before January 31. If you want to do it yourself, you can, but if you want to have it installed, you can have that done later.

It's just about the clarity around that. There's some confusion among Canadians.

● (1130)

Mr. Massimo Pacetti: I feel the same way. I know what will happen is that CRA will always lean towards themselves and not necessarily towards the constituent or the taxpayer.

In your case, people will actually order materials ahead of time and then you'll deliver after a couple of weeks. Is that what happens in your industry?

Mr. Michael Rowe: There's a variety of options. They may order and take them from the store that day, take them home. They may want them shipped to their house in three days, two weeks, or three weeks. They may have them installed, depending—

Mr. Massimo Pacetti: Can you help us by making sure your clients are also aware that by January 31 the items should be paid for?

Mr. Michael Rowe: Yes, that's what we're doing.

Mr. Massimo Pacetti: I have a quick question, Mr. Georgetti, in terms of this home renovation and your membership. From what I'm seeing with my constituents, they're using the home renovation tax credit, but it's in small bits because people are not working and they don't have money. They're doing it to fill their spare time. I'm not sure if it's something you're seeing as beneficial to your membership. It's just a comment. I'm not sure how you view it.

Mr. Ken Georgetti: I think anything that helps to stimulate the economy.... And there's no doubt anecdotally that a lot of people are accessing it and conducting home renovations. I'm sure the program is an incentive. We've encouraged and endorsed it as a good incentive to help offset the job losses that are occurring in manufacturing.

Mr. Massimo Pacetti: Thank you.

Mr. Dale and Mr. Butler, on a different note, we don't get to see the Canada Pension Plan Investment Board in front of the committee too often. In terms of return, how is it going up to now? What's your year-end?

Mr. Ian Dale: Our year-end is March 31.

Mr. Massimo Pacetti: On the final number that came in for last year, was your rate of return minus 14%?

Mr. Ian Dale: In calendar 2008, it was minus 14%. For the year ending March 31—therefore three months later—it was just over minus 18%. In the three months since that time—

Mr. Massimo Pacetti: Go back and give me the last three months and afterwards. Could you give me the date please?

Mr. Ian Dale: The three months that ended in June, after our year-end, the—

Mr. Massimo Pacetti: Would that be the April-to-June quarter?

Mr. Ian Dale: Yes, in April to June the fund increased by $11 billion, most of which was investment income, and it's up significantly since then to the end of September.

Mr. Massimo Pacetti: In two quarters you would get it up significantly. What would that be in terms of percentage, more or less?

Mr. Ian Dale: The fund was up 11% in the first quarter and it's gone up significantly since then. Those results will come out in about two weeks.

Mr. Massimo Pacetti: Thank you.

The Chair: Thank you, Mr. Pacetti.

I want to thank all the witnesses for being with us here today. I want to thank you for your comments on Bill C-51.

I will reiterate what Mr. Mulcair said on pensions. Obviously both the government and Parliament are continuing their work on that. We certainly hope you will continue your dialogue with us on that issue.

Colleagues, we will suspend for a few minutes and then we will go right to clause-by-clause.

Thank you.

• (Pause)

•

• (1135)

The Chair: Thank you, colleagues.

We will go now to clause-by-clause consideration of Bill C-51.

Just for the committee's information, pursuant to Standing Order 75(1), consideration of clause 1 is postponed until the end, so we will go to clause 2.

I do have a suggestion. I understand there may be some discussion on the CPP. CPP clauses start at clause 25, so I'm going to ask: shall clauses 2 to 24 carry?

Mr. Massimo Pacetti: On division.

The Chair: On division.

(Clauses 2 to 24 inclusive agreed to on division)

The Chair: And then we have the amendments to the Canada Pension Plan, which are clauses 25 to 43.

Shall clauses 25 to 43 carry?

Mr. Massimo Pacetti: On division.

(Clauses 25 to 43 inclusive agreed to on division)

The Chair: And clauses on the CPPIB, clauses 44 to 46, shall they carry?

Mr. Massimo Pacetti: On division.

(Clauses 44 to 46 inclusive agreed to on division)

The Chair: That's very agreeable.

Now for the rest, we don't have any amendments on the bill.

Shall clauses 47 to 67 carry?

Mr. Massimo Pacetti: On division.

(Clauses 47 to 67 inclusive agreed to on division)

The Chair: Shall the schedule carry?

Some hon. members: Agreed.

Mr. Massimo Pacetti: On division.

The Chair: On division.

Shall the short title carry?

Some hon. members: Agreed.

Mr. Massimo Pacetti: On division.

The Chair: Shall the title carry?

Some hon. members: Agreed.

Mr. Massimo Pacetti: On division.

The Chair: Shall the bill carry?

Some hon. members: Agreed.

Mr. Massimo Pacetti: On division.

The Chair: Shall the chair report the bill to the House?

An hon. member: ASAP.

Mr. Massimo Pacetti: Wait a sec. Are we amending, or are we...?

The Chair: There are no amendments to the bill.

Mr. Massimo Pacetti: No amendments even for the CPP? Oh, okay. I thought there was an amendment. Okay.

The Chair: Unless you have an amendment, Mr. Pacetti.

Mr. Massimo Pacetti: No, no. I thought we had...okay.

The Chair: Shall the chair report the bill to the House on division?

Some hon. members: Agreed.

The Chair: We're done.

So I will report this, I believe, tomorrow afternoon to the House.

I want to thank the members for their work.

I just want to point out one thing to members, just on a personal note. One of our interpreters, Susan, who's been with this committee a long time, is departing this afternoon, I believe for Cambodia. She's going to be working there for a year. I just wanted all the committee to thank her for all her tremendous work.

Some hon. members: Hear, hear!

The Chair: Thank you, colleagues.

I want to thank you all for your work over the past weeks.

We'll see the subcommittee at 3:30 this afternoon.

The meeting is adjourned.

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