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Chair

Mr. James Rajotte

Standing Committee on Finance

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● (1000)

[*English*]

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

Our orders of the day, pursuant to the order of reference of Wednesday, June 15, 2011, are for a study of Bill C-3, an act to implement certain provisions of the 2011 budget as updated on June 6, 2011.

I want to thank our witnesses very much for coming in on very short notice. I do apologize for that, but as you know, we have a very shortened parliamentary session here in order to pass this piece of legislation, hopefully.

We have three organizations and one person as an individual. I'll introduce them in the order of speaking.

From the C.D. Howe Institute, we have Mr. Finn Poschmann, vice-president for research. As an individual, we have Ms. Jane Londerville, interim chair and associate professor with the college of management and economics at the University of Guelph. From the Canada Mortgage and Housing Corporation, we have president Karen Kinsley and vice-president Pierre Serré, insurance product and business development. And from Genome Canada, we have Ms. Cindy Bell, the executive vice-president of corporate development.

Again, thank you all for being here.

We'll start in the order I mentioned. We'll start with Mr. Poschmann and we'll work our way down.

Mr. Poschmann, you have between five and ten minutes for an opening statement, please.

Mr. Finn Poschmann (Vice-President, Research, C.D. Howe Institute): Thank you very much, Mr. Chairman.

Good morning, members of the committee. It is an absolute delight to be here.

I am Finn Poschmann, vice-president of research at C.D. Howe Institute, a non-partisan, non-profit think tank. It is my absolute pleasure to open this conversation this morning on the proposed legislation before us, the budget implementation bill, Bill C-3.

The budget implementation bill has a number of different parts. I am going to focus exclusively on part 7, which introduces an act, the Protection of Residential Mortgage or Hypothecary Insurance Act. This is very much the interesting different and new part of the legislation. It is something that was expressed telegraphically in the two versions of budget 2011, wherein the government of the day proposed to introduce legislation extending a more stable framework for the financing and insurance of residential housing in Canada.

With this proposed act, the government has acted on its stated intention to introduce legislation and a framework for regulating the Canadian mortgage insurance business. This is probably a good thing. It is an important business too.

The mortgage market has made home ownership affordable for many millions of Canadians. The mortgage insurance market has given lenders the security they need to make ownership affordable for millions of first-time buyers and for others with less than a 25% down payment on the purchase of their homes.

The mortgage business—that is, the mortgage lending business and the mortgage insurance business—is very much part of the firmament of the Canadian residential housing system. It's part of our ethos. It has operated roughly as we know it today more or less since World War II.

It is important to get a feel for the size of the marketplace. CMHC alone is the largest insurer of residential mortgages in Canada. CMHC insures mortgages worth a face value of more than $500 billion. That's about one-third of Canada's GDP. That is a huge exposure. It also represents roughly 70% of the mortgage insurance market.

Part 7 of the bill, in the first instance, refers mostly to private insurers, a number of companies that in a typical year operate within roughly the other 30% of the mortgage insurance marketplace. This proposed act expresses in legislation and then regulation an arrangement that already exists in the form of agreements between the Department of Finance and the private mortgage insurers.

Private mortgage insurers, which operate, as I said, in roughly one-third of the residential mortgage insurance market that CMHC does not occupy, have their liabilities guaranteed by the Government of Canada, less a 10% deductible. We could call that a 90% guarantee. This makes it possible for the private insurers to compete in the residential mortgage insurance business with CMHC.

CMHC is a crown corporation, the liabilities of which are backed 100% by the full faith credit of the Government of Canada and therefore the federal taxpayer. This means that CMHC's cost of capital is less than it is for the private insurers. In order words, it costs the private insurers more to go to the market to raise money to underwrite the insurance premiums that they, in turn, write. It costs more because they do not have the Government of Canada's backing. But as I indicated, the system works well enough that the existing private insurers tend to hold about 30% of the market. The system more or less works, however imperfectly it may do so.

Turning to the proposed legislation generally, it is a very good thing to codify in legislation what currently exists as more or less informal practice in the form of agreements between the Department of Finance and the private insurers. This is especially so when the numbers are as large as they are in the mortgage insurance marketplace.

● (1005)

Mr. Chairman, a number of new folks around the committee table may not have heard me on this point: it's often of significant concern when legislation leaves too much of the detail to regulation. That can be a problem, because legislators, parliamentarians, then aren't clear on some very, very important details that determine the outcome of the things they legislate.

That's a common problem in legislation. I think it is not so much a problem in this case. I think the drafters of this tight legislation have done a pretty good job of striking a balance between legislation and leaving space to determine details and parameters in regulation. I think they've done a not at all bad job.

I mention this not just because the devil is always in the details, but because of the critical importance of getting regulation right and getting it right in this instance because it will have a huge impact on the mortgage insurance landscape going forward. What the legislation—again, part 7 of the act before us—imposes or creates is the authority for private mortgage insurers...or rather, it requires them to meet capital adequacy requirements defined by OSFI that other financial institutions must meet. This is nothing new, but we are going to rely for individual stability on capital adequacy requirements on the part of mortgage insurers.

The legislation also says that, by regulation, the minister may collect a fee from the mortgage insurers commensurate with the risk to which the Government of Canada is exposed through the Government of Canada's backing of the mortgage insurers' underwriting of mortgage lending. That is probably a very good thing. As it stands—or to this point—mortgage insurers have been setting aside in an account roughly 10% of the premiums they write to backstop, or rather, to have available in the event of failure.... This formalizes that arrangement. It allows the fees to be set by regulation and to do so ideally on a risk-adjusted basis. In other words, the government will collect fees commensurate with the risks to which Canadian taxpayers are exposed.

So on the face of it, this is a reasonably stable solution. In other words, with capital requirements defining the stability of individual financial institutions with an insurance premium or a reinsurance premium collected by the government and reflective of the risks to which the taxpayer is exposed, we have a potentially stable market outlook or market framework.

So it goes for the private mortgage insurance part of the business. In the last part of part 7, and a significant part of part 7—perhaps the most significant, from my perspective—are the sections dealing with the National Housing Act. These will affect CMHC quite specifically. What this does, in a way, is codify existing practice.

In other words, the legislation says that CMHC shall “provide” or “make available” to the minister, and the minister may make available to the public, any books or records that are relevant to determining the nature and scope of the corporation's activities and, perforce, the risks to which CMHC is exposed through its mortgage underwriting activities. Now, this is a good thing. Again, it represents something that's not very different in form, in face, from current arrangements.

Naturally, the Minister of Finance has an interest in looking at CMHC's books, as does OSFI. There are a number of informal arrangements through which our oversight agencies are able to have a look at what it is that CMHC does and the risks to which taxpayers are exposed through their insurance and securitization activities. However, it is an informal arrangement, not a formal one. It's good to have this in legislation.

The final point on this is that the legislation also grants authority to write regulation that will determine a fee that CMHC may be charged by the Government of Canada, representing the risks to which CMHC's activities expose the federal taxpayer. If this fee is risk-adjusted and matches the risks that CMHC takes on, we're moving into a new framework or a new sort of marketplace, where you have a much more level playing field, as between the private insurers and between CMHC. If the fees that the minister or the Government of Canada may charge CMHC are indeed risk-adjusted and do reflect that CMHC's liabilities are 100% backed by the Government of Canada, as opposed to 90% backed, we have moved or we will have moved—as I've said—into a very different, more competitive, more level landscape in the mortgage insurance business, and this is potentially a very good thing.

● (1010)

I'll stop there.

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

We'll now go to you, Ms. Londerville, for your presentation, please.

Dr. Jane Londerville (Interim Chair and Associate Professor, College of Management and Economics, University of Guelph, As an Individual): Thank you.

I have been a professor of real estate at the University of Guelph since 1993, teaching and doing research in the area of mortgage finance—among other interests. Prior to that, I did PhD studies in urban land economics at UBC, worked as a real estate consultant for six years for Ernst and Young, and completed an MBA at Harvard.

This past fall, I wrote an analysis of the mortgage insurance system in Canada for the Macdonald-Laurier Institute. Some of my comments today will be taken from that report.

I appreciate the opportunity to speak to this today. I will also be concentrating on part 7, which is where my expertise lies.

Canada can be justifiably proud of our mortgage finance system. Careful underwriting and legislation have allowed us to weather the global financial crisis better than almost any other country. The percentage of mortgages three months or more in arrears was less than 0.5% in February of this year. Since 1990 it has never been more than 0.7%. Even when—in quotation marks—“healthy”, the U. S. arrears rate was much higher than this.

So while the system is strong, there is always room for improvement. This legislation is a good start to recognizing the importance of opening the mortgage insurance market in Canada to competition from the private companies to give consumers greater choice and to allow for increased insurance product innovation.

Clause 42 allows the minister to tighten underwriting criteria, a critical safeguard of Canada's system that prevented the types of careless lending in the U.S. from happening here. The minister can tighten underwriting requirements as deemed necessary, such as the reduction in the maximum amortization period for insured mortgages to 30 years, which was done this year. Mortgage insurance companies must follow these guidelines to retain their 90% backing, which enforces their adherence to this.

Despite the positive aspects of this proposed legislation, I have a couple of remaining concerns. As Finn mentioned, the CMHC, as a crown corporation, has its mortgage insurance policies implicitly 100% guaranteed by the federal government under the Basel accord. CMHC-insured mortgages, then, require no capital reserves by financial institutions. Clauses 22 and 24 in this act retain the corresponding maximum protection for private companies at only 90%. At the moment, the lender decides who will insure a mortgage loan: CMHC or a private insurer.

As a consequence, banks whose loans are insured through a private firm must set aside some capital reserves against the possibility of default by the insurer, which is not a requirement if the loan is insured by CMHC. Thus, rates of return are higher on CMHC-backed mortgages.

When profit margins are thin and banks are nervous about capital reserves, as in the financial crisis that began in 2008, this makes a major difference. The evidence of this is in the growth of CMHC's mortgage insurance premium income during 2008 and the drop in Genworth's.

Because of the difference in levels of guarantee, each financial institution's treasury or risk officer determines how much of the institution's mortgage insurance business can be sent to private investors, limiting the amount because of the capital reserve requirements. The implication of this for consumers is reduced choice. This is not a competitive marketplace with consumers freely choosing which company will insure their loan, even though they are the ones who pay the large upfront fee for this insurance.

CMHC's stated plan for 2010 was to have $520 billion in insurance outstanding, which represents approximately 70% of the market. Genworth has been competing in this market since 1995 and holds most of the remaining 30%. To me, one party with such a dominant share of the market implies inadequate competition. There are now two relatively new competitors in the market to battle for the private company share of insurance. To make this a truly competitive market, changes to the 90% guarantee are necessary, either by reducing CMHC's guarantee or by raising the one for the private sector.

The segment of CMHC that provides mortgage insurance and handles mortgage bonds and mortgage-backed securities is really acting as a large financial institution and does it very well. However, it does not at the moment fall under the oversight of the Office of the Superintendent of Financial Institutions. Private mortgage insurers are required to do extensive quarterly reporting to OSFI to ensure they are following regulations.

● (1015)

These data are publicly available.

Given exposure of taxpayers to 100% of CMHC's mortgage insurance losses, it would seem prudent for OSFI to also regulate CMHC.

To conclude, I welcome the introduction of this legislation. However, I believe that through levelling the playing field for public and private mortgage insurers by giving the same guarantee and regulating through the same office, consumers would benefit. There would be more private insurers competing for their business, ensuring competitive fees and greater incentives for product innovation.

The Chair: Thank you very much for your presentation.

We'll now go to Ms. Kinsley, please.

Ms. Karen Kinsley (President, Canada Mortgage and Housing Corporation): Thank you, Mr. Chair.

It's a pleasure to be here to discuss the budget implementation bill as it relates to Canada Mortgage and Housing Corporation's mortgage loan insurance business.

[*Translation*]

By way of background, mortgage loan insurance is mandatory for federally regulated lenders when the buyer of a home has less than a 20% down payment.

[*English*]

This insurance indemnifies the mortgage lender against loss if a borrower defaults, and allows qualified borrowers to access the housing market with less than a 20% down payment and at interest rates comparable to those with larger down payments.

The mortgage insurance premium is based on the amount of the mortgage and varies based on the loan-to-value ratio of the mortgage. As an example, a borrower who wishes to purchase a $100,000 house with a down payment of 10% would obviously require a mortgage of $90,000 and would have a loan-to-value ratio of 90%. The premium in this case would be 2% of the mortgage amount, or roughly $1,800.

[*Translation*]

Mortgage loan insurance can be purchased from CMHC or from a private insurer. CMHC is the largest insurer of mortgage loans in Canada, with insured mortgages of approximately $500 billion, or about 70% of the insured mortgage market. CMHC currently has two private sector competitors; although at times there have been as many as four.

● (1020)

[*English*]

There are some fundamental differences between CMHC and private insurers. As Canada's national housing agency, CMHC has a public policy mandate to provide mortgage loan insurance to qualified borrowers in all parts of the country and for all forms of housing. In fact, CMHC is the only mortgage insurer for large multi-unit rental properties and for nursing and retirement homes. As well, a significant percentage of our insured high-ratio homeowner loans is in rural areas and smaller communities that are traditionally not as well served by private insurers. Together, these areas made up close to 44% of our business last year.

Private sector insurers, on the other hand, have the ability to not serve those areas of the country or housing forms they deem to be less profitable. This is why CMHC is backed by a 100% guarantee by the Government of Canada, while private insurers are covered at 90%. These long-standing levels of guarantee are reflected in the budget implementation bill.

CMHC's value as a public insurer was particularly evident during the recent global economic downturn when CMHC was a stabilizing presence and ensured that qualified Canadian borrowers could continue to buy homes after most private mortgage insurers exited the market due to the precarious situation of their U.S. parent companies.

[*Translation*]

CMHC operates its mortgage insurance business on a commercial basis, at no cost to taxpayers. All income generated by CMHC's mortgage insurance activity goes directly to the Government of Canada and serves to reduce the government's annual deficit.

[*English*]

Over the past decade, CMHC has helped to reduce the Government of Canada's accumulated deficit by $12.3 billion through income taxes we have paid and our residual net income, all of which is attributed to the Government of Canada. The vast majority of this $12.3 billion contribution was the result of CMHC's mortgage loan insurance operations.

I mentioned a moment ago that CMHC has insured mortgages of about $500 billion. The quality of this portfolio is strong. For example, the average CMHC-insured household has about 44% equity in the home. We follow the guidelines set by the Office of the Superintendent of Financial Institutions. In particular, we hold 200%, or double the minimum capital test set by OSFI for private insurers.

Turning to the budget implementation bill, CMHC supports the legislative framework introduced by the Government of Canada and the government's ongoing efforts to maintain a strong Canadian housing market. While the regulations have yet to be drafted, we do not foresee a significant impact on CMHC's operations, given that the legislative framework essentially formalizes existing mortgage insurance arrangements and relationships.

For example, CMHC already operates within the Department of Finance parameters for government-backed mortgage insurance, which is a key element of the legislative framework. We also provide the government with housing market advice and information, as well as aggregated information on the evolution and status of our insured loan portfolio.

Finally, CMHC provides significant disclosure of its mortgage insurance operations through its annual corporate plan summary and annual report, both of which are tabled in Parliament and are widely available to Canadians.

[*Translation*]

Thank you again for the opportunity to be here. I would be pleased to answer any questions the committee has at this time.

The Chair: Thank you very much for your presentation.

[*English*]

We will now hear from Mrs. Bell from Genome Canada, please.

Dr. Cindy Bell (Executive Vice-President, Corporate Development, Genome Canada): Good morning. I'm Dr. Cindy Bell, and I'm the executive vice-president at Genome Canada. I'm here on behalf of our president, Dr. Pierre Meulien.

I am pleased to appear in front of this committee today in reference to the $65 million provided in the budget to Genome Canada. As many of you may be aware, Genome Canada and the six regional Genome centres located across Canada are not-for-profit corporations that work together as the primary funding and information resource relating to genomics research in Canada. It is a unique model of federal and provincial partnering. Since 2000, and with the support of parliamentarians, including several of you around the table today, the Government of Canada has committed $915 million to Genome Canada, to which approximately $1 billion in partnered co-funding has been committed.

The first decade of Genome Canada has been dedicated to building what we call the "Canadian genomics enterprise", funding excellent science identified through a best-in-class international peer review process; building a community across Canada of genomic scientists who many recognize as international leaders in their fields; supporting state-of-the-art science and technology innovation centres to provide those genomic scientists with access to leading-edge technologies; building strong linkages and partnerships with the international genomics research community; and paving the way for real-world applications by considering up front the ethical, economic, environmental, legal, and social aspects of the genomics research we support.

We have done all of this keeping an eye on how these funds have been expended. In this regard, we've undergone a number of third-arty assessments, all of which have been positive in their findings.

We are now beginning to see the results of the federal investment in research, and the results are exciting: the development of a diagnostic test for fatal heart disease, resulting in the life-saving treatment of implantation of defibrillators into the chests of those who are affected; Canada has the leading platform in the world for conifer research, enabling evidence-based decision-making in the management of our forests, one of Canada's most precious resources; demonstration that genes are involved in the underlying cause of autism, resulting in the development of diagnostics for a percentage of those affected and leading to early identification and intervention; impacts on food security, with research aimed at helping farmers increase crop yields and providing the livestock and fisheries industries with tools to raise healthier animals, giving Canadian industries a competitive advantage globally; and addressing head on the challenges facing the environment, such as using microbial communities to diminish the environmental impacts of the oil and pulp and paper industries, to clean up contaminated sites, and to create new biofuels.

The next logical step for Genome Canada is a sharpened focus on the translation of genomics discoveries to applications, ensuring that new knowledge translates into innovations that enhance Canada's prosperity in support of the Government of Canada's innovation agenda, which is crucial to the economic development of this country.

Genome Canada is currently developing a strategic plan that will map out our strategy for the next five years, building on Canada's strengths to help Canadians take their place in the global bio-economy, an economy where biological sciences and biotechnology contribute to a significant share of economic output.

The $75 million invested in Genome Canada last year allowed us to take the first step in that direction. Within months of the 2010 federal budget announcement, Genome Canada launched competitions to identify where best to make its investments, following the principles of the economic action plan.

A $60-million competition, with funding directed towards research with a high potential for impact and a particular emphasis on economic return, was launched. The result is $30 million invested in research in the areas of forestry and the environment and $30 million supporting strategically important research in Genome Canada's other sectors: human health, agriculture, and fisheries. With partner funding, a total of $120 million is now in the hands of some of the best scientists in the world.

● (1025)

We also had a $15 million investment in our science and technology innovation centres. These centres, which are located across Canada, provide state-of-the-art technologies, expertise, and infrastructure to Genome Canada funded and other researchers from academia and industry.

The June 2011 budget, which is the subject of your deliberations today, provides Genome Canada with $65 million. At Genome Canada's June 2011 board of directors meeting, they approved a plan for the investment of $65 million, which includes a $40 million competition focused on human health.

As part of our new approach, we will place even greater emphasis on translating the results of research into practical applications that create benefits to Canadians. We will engage end users, such as industry, federal and provincial policy-makers, and regulators upfront and throughout the research process to ensure the relevance of the research we support. We also have a $5 million investment proposed on bioinformatics and computational biology. Due to the high throughput nature of the genome sciences, an immense quantity of data is generated that needs to be stored and analyzed in more and more sophisticated ways. For example, a single week's run on a next-generation DNA sequencing machine generates approximately one terabyte, or 1,000 gigabytes, of data.

We've included a $6.5 million investment in three key international initiatives that we support, each led by a Canadian scientist. As requested, the remainder of the funds will be used to support the operations of Genome Canada and the regional genome centres.

Our vision for the future will require greater financial investments. We will make this a reality by growing the funding pie, further leveraging the federal government's investment and bringing new investors to the table.

In 2010 we welcomed a new president and CEO, Dr. Meulien. He is well positioned to lead the Canadian genomics enterprise and strengthen the role of genomics research in the development of the Canadian bioeconomy in partnership with the Government of Canada.

Genome Canada is excited about the future and the potential impact of genomics research on the health and well-being of Canadians. To quote one of our scientific leaders, “The way we define the success of our research is to start a project, finish a project, and along the way make discoveries that have an impact.”

We strongly encourage the passage of this important budget bill.

I look forward to any questions.

● (1030)

The Chair: Thank you very much for your presentation, Dr. Bell.

We'll begin with questions from members. I just remind members that this committee has agreed to rounds of five minutes. I remind our witnesses that members have very limited time, so please be as brief as possible in your responses.

We'll begin our round with Ms. Nash, please.

Ms. Peggy Nash (Parkdale—High Park, NDP): Thank you to all the witnesses for being here this morning.

My first question is for Mr. Poschmann and is on the mortgage insurance issue.

When the private mortgage insurers came into Canada, the large insurers, like the now defunct AIG and Genworth, the result was that borrowers signed up for about $50 billion in 40-year mortgages, which were some of the most expensive and least flexible mortgages that there could be. Some $10 billion of those mortgages required no money down. Many Canadians got into debt over their heads.

We've heard from Ms. Kinsley that in fact Canada weathered the downturn better than most other countries, and that Canada is relatively stable. Why would Canada now want to increase its mortgage risk? When we just increased the liability of Canadian taxpayers to private mortgage insurers in 2006 to $200 billion, why would we increase that liability for Canadian taxpayers up to $300 billion today?

Mr. Finn Poschmann: That is a very good question. Primarily, the goal for consumers is to introduce more choice and competition in the marketplace. However, to do so would be unwise absent prudent oversight framework, prudent financial reporting standards, and prudent capital standards.

If we reflect back to the state of the market in the mid-2000s, interest rates were very low and lenders were underwriting business that many of us would see as excessively risky today. In fact, it proved necessary subsequently for the government of the day to pressure CMHC not to underwrite 40-year mortgages on their own behalf, and in fact to wind down the maximum amortization periods and to limit the number of high-value-ratio loans—in other words, to impose higher down payments on all market participants. A prudently managed marketplace is absolutely essential to the framework.

● (1035)

Ms. Peggy Nash: We know that in the U.S. many of those who make the risk assessment clearly got it very wrong. I want to express concern that the Canadian public might be on the hook for private insurers. In other sorts of insurance, the insurance industry underwrites its own liabilities. I'm concerned about the public.

I would like to ask Ms. Kinsley a question. You talked about CMHC underwriting mortgages that private insurance carriers don't normally underwrite. Because the private insurers only take on the most profitable mortgages, are they cherry-picking mortgages in a way that undermines CMHC? It seems there are many positive aspects that Canadians get from CMHC. Would CMHC be able to earn even more money for Canadians if the private insurers weren't cherry-picking those better risks?

Ms. Karen Kinsley: Thank you for the question.

I touched a little bit on that very point. CMHC, unlike the private insurers, has a public policy mandate. Key to that is the issue you've raised, which is insuring not only all parts of the country, rural and smaller communities particularly, but also all forms of housing. It's not just about home ownership. We believe that many Canadians should in fact dwell in rental housing. Of course we've seen the situation in the U.S. when borrowers perhaps have been pushed into home ownership too early. We don't believe that makes any sense. We in fact support rental housing as well as home ownership.

The issue of the differential in our mandate and the cost of that really gets to the nub of the difference in the guarantee between CMHC and the private insurers. We are, by virtue of being a crown corporation, 100% guaranteed by the Government of Canada. Recognizing that private insurers can select the markets they choose to be in, and obviously they will not serve those that are less profitable, the government has set the guarantee for private insurers at 90%. That 10% differential in the guarantee, in order to create a level playing field between us, compensates us for that difference.

We have been able to operate successfully on that basis, as is evident by our annual returns, and the over $12 billion that we've been able to return to the government.

The Chair: Thank you.

We'll go to Ms. Glover, please.

Mrs. Shelly Glover (Saint Boniface, CPC): Thank you, Mr. Chair, and welcome to all our witnesses.

As we're exploring this question of obligation by CMHC to do things such as underwrite rental properties, do you also underwrite low-income housing?

Ms. Karen Kinsley: We underwrite low-income housing or affordable housing but on a commercial basis. Just to be clear, we must, under our mandate in mortgage insurance, operate on a commercial basis with no cost to taxpayers. The question might be how we do that when it's affordable housing.

Fairly simply, because the rents are so low, they're affordable by definition. We are able to underwrite those properties recognizing that in the event, heaven forbid, there is a default, there is some room in the marketplace to move those rents up to market. We wouldn't want to do that, but it is a commercial mitigant to our underwriting in those areas.

To be clear, this is a commercial process separate from any subsidies that we may administer on behalf of the government for affordable housing.

Mrs. Shelly Glover: Right, but what's very important to most Canadians who would have to rent those low-income housing units is the fact that if the owners of the low-income housing units didn't have access to CMHC with that 100% guarantee, they wouldn't exist. The private insurers don't underwrite those things, correct?

● (1040)

Ms. Karen Kinsley: You're absolutely correct.

Mrs. Shelly Glover: For low-income people, the most vulnerable, who have to pay for rentals, this is something that's absolutely of benefit to Canadians, the fact that we do have the 100% guarantee. I take issue with what Ms. Londerville had to say about perhaps decreasing the 100% and increasing the 90% for private. It's like comparing apples and oranges. The fact that we need to take care of those who need some help makes this absolutely palatable.

I am very pleased to see the transparency issue in the bill. Agreements in the past were done out of the public view. This legislation would ensure there is transparency.

Perhaps Mr. Poschmann could speak to how he feels. Do you think public legislation is superior to private contracts when it comes to transparency?

Mr. Finn Poschmann: Well, to be clear, we're talking about bringing into legislation a contract framework that has previously governed the relationship between the Government of Canada, through the Department of Finance, and the private insurers.

Transparency is almost everywhere to be desired, and it certainly is here. One, from the point of view of private insurers who do publish quarterly statements through OSFI, we want to know the risks to which participants in the financial institutions framework are exposed as part of an ordinary financial stability mandate. What's new and different here is potentially bringing CMHC fully within that framework.

I think it's absolutely superb that CMHC is well capitalized, that its lending activities are managed prudently, and that its securitization activities are professionally run. This is absolutely terrific news. Canada's public service employees and its crown agencies to all appearances do a very good job. What's important, though, is that Canadians, Parliament, taxpayers, and others should see it, and that's what this framework potentially does. We should understand better the risks to which Canadian taxpayers are exposed.

If you compare, for instance, the public documents, the annual reports and financial reports prepared by CMHC, with the regular reporting from Fannie Mae and Freddie Mac in U.S., it's night and day. We know a lot more about the exposures of Fannie Mae and Freddie Mac in the U.S. than we do in Canada.

The Chair: You have about 30 seconds for a brief question.

Mrs. Shelly Glover: With regard to the $300-billion increase, everyone who applies for a mortgage still has to qualify. The criteria are still the same. When we talk about that increase, it doesn't change the fact that our government has put in place some stricter measures to protect against people who are going into too large of a personal debt. That is why we reduced, as Ms. Nash said, from a 40-year amortization now down to a 30-year amortization. Under this government we've made a number of changes, and I think they reflect well toward reducing the personal debt of Canadians.

Thank you.

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

We'll go to Mr. Pacetti, please. Welcome back.

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

Congratulations on your election, once again. I'll miss the committee.

Thank you to the witnesses for being here.

This is more for a point of clarification in terms of how it works. I'm not sure who's going to be able to answer this.

It's the lenders who decide who they're going to utilize as the end user, so it's not clear who's making the money and who's going to pay more. I think Mr. Poschmann said that it's going to cost more to deal with the private sector, but Ms. Nash was alluding to the fact that the private sector will probably be able to have the pick of the litter.

Who's going to be making the money, and how much more will it cost consumers even though we are opening up the market?

I guess this question is for you, Mr. Poschmann.

Mr. Finn Poschmann: Thank you, Mr. Pacetti.

First, our legislative framework generally requires that mortgage insurance be acquired by a borrower in respect of mortgage lending where the down payment is less than 25%. Now, the arrangement as between the borrower and the lender and the insurer is subject to negotiation. There's no absolute insistence that CMHC be the insurer in every instance.

● (1045)

Mr. Massimo Pacetti: But the borrower who carries a little bit more risk—will he be more readily insured by CMHC or by the private sector?

Mr. Finn Poschmann: That's unclear. What is clear, though, is that—

Mr. Massimo Pacetti: And the person who carries larger risk should be paying more, should he not, or she?

Mr. Finn Poschmann: Absolutely; however, Mr. Pacetti, that assumes that the vendors of the insurance product are facing roughly the same cost structure. The fact is that the private insurer has much more costly capital because it is not backed by—

Mr. Massimo Pacetti: But will the lender make money if he utilizes the private sector or CMHC? That's the point.

If you can't tell, perhaps Ms. Londerville would know.

Dr. Jane Londerville: The lender makes money on the mortgage. The insurance is separate for them. It's just something they have to do.

Mr. Massimo Pacetti: So now it's up to the borrower to negotiate with the insurance company through the lender.

Dr. Jane Londerville: No. The lender says that they're going to insure this loan, they have to insure it, here is what the fee is, and it's being sent to CMHC or Genworth or....

Mr. Massimo Pacetti: It doesn't really matter who it gets sent to?

Dr. Jane Londerville: No. The fees are basically the same.

Mr. Massimo Pacetti: So why are we opening this up? Why doesn't it just get controlled by CMHC? We'll keep the costs down instead of having to open up the market.

Dr. Jane Londerville: Well, in my view, the more competition you have in the market, the more—

Mr. Massimo Pacetti: But you just told us there was no competition.

Dr. Jane Londerville: Well, but there is—

Mr. Massimo Pacetti: You're not allowing me, as a borrower, to compete. It's not an open market. It's not open....

Dr. Jane Londerville: Well, from the lender's perspective, if everybody is the same, then they wouldn't care who it went to, and they would say, “Who do you want to insure with?”

Mr. Massimo Pacetti: Right. So how is the lender going to determine whether they're going to use the private sector or CMHC? That's still not very clear.

Dr. Jane Londerville: Well, their risk people are saying that they can only send *x* percent of their mortgages to the private side because they need capital reserves for this.

Mr. Massimo Pacetti: Ms. Kinsley, does your corporation do any marketing? Do you take these lenders out and say to them that they should utilize you rather than the private sector?

Ms. Karen Kinsley: We certainly are offering in a competitive environment, so we advocate our services. I think it's a little simplistic to say—

Mr. Massimo Pacetti: Now you're going to have three other—

Ms. Karen Kinsley: Competitors.

Mr. Massimo Pacetti —big players coming in, so your marketing is going to increase. The costs for the three private corporations are going to increase as well, because they're going to have to market. If they're not going to market.... The lenders are going to have to market towards the borrower, and the borrower is going to have to insist that they want their insurance to be backed by private insurance or by CMHC. The costs are going to go up, so in the end the consumer is going to be paying for this.

Nobody has made the point that the consumer is going to benefit from this. There are going to be additional costs. If it's not going to be an open market, the consumer is not going to benefit.

I just want to ask you one quick question, Ms. Bell. At Genome, how is the money you will be receiving going to be separated? Is it going to be separated by region? Is it going to be based on matching, on if one Genome branch is going to be able to attract more money...? Or is it going to be based on sector, be it health sciences, or pure and applied science, or whatever?

The Chair: A very quick response, Ms. Bell.

Dr. Cindy Bell: The majority of the funding that we're going to receive this year will go to human health. It's based on scientific excellence and other criteria that we assess. There aren't amounts allocated to any particular region.

The Chair: Thank you, Mr. Pacetti.

Ms. McLeod, please.

Mrs. Cathy McLeod (Kamloops—Thompson—Cariboo, CPC): Thank you, Mr. Chair.

I actually need to quickly go back, because I think my colleague was sort of leading down a different path.

This system has been in place and we are just actually clarifying it in legislation.

Ms. Londerville, do you want to have the opportunity to quickly clarify how this benefits consumers? I don't think you got a chance to respond to some of the previous questions.

Dr. Jane Londerville: I think that the more competitors you have in a market, the more competition there is. The fact that CMHC has been able to provide the government with $12 billion over that period of time...it's coming primarily from first-time homeowners paying their mortgage insurance. Is that who should be paying down the deficit?

I think a competitive market could likely change fee structures, for one thing. In some countries you pay an upfront fee and a monthly fee, or just a monthly fee, or just until your mortgage gets down below the 80%. There are other options out there that maybe we haven't considered in Canada.

● (1050)

Mrs. Cathy McLeod: We talk about backstopping these mortgages and the government being responsible. To what degree have we ever had to draw down on that 100% versus the 10%? How much are we talking about?

That number of less than 1%, Mr. Poschmann, you talked about that. You talked about less than—

Mr. Finn Poschmann: That was Ms. Londerville.

Ms. Cathy McLeod: Oh, I'm sorry.

Ms. Londerville?

Dr. Jane Londerville: Yes, these are mortgages that are in arrears. Mortgages three months in arrears are less than half of one percent.

We do a very good job in the private sector and in the public sector in Canada in underwriting mortgages, and we don't lend to people who can't pay it back. Some people get into trouble. Some people do default. But even of those mortgages that are three months in arrears, some of those will come back and be paid off.

Mrs. Cathy McLeod: So there really isn't...?

Dr. Jane Londerville: The risk is very low, I would say.

Mrs. Cathy McLeod: Okay. I just had to sort of head into that point.

I actually intended to talk to Dr. Bell about Genome Canada.

You talked about many different areas of work. I know you have a lot of regional centres. I would presume that if you're doing competitions it's for the private or the university researchers. Could you talk a little about what your regional centres do, versus how your competitions work in terms of research dollars?

Dr. Cindy Bell: We launch national competitions in which scientists from across Canada can apply to us for funding.

The primary role of the regional genome centres is to work with the scientists in a centre's region, focusing usually on areas of priority for that region, to prepare them for the competition at Genome Canada, and also to secure the co-funding. As you know, we receive funds from the federal government, which we match dollar for dollar with other funding. A lot of that comes from the provinces. That is one of the main roles of these centres.

Mrs. Cathy McLeod: I'm from Vancouver, so I'll use Vancouver as my example. Could you talk specifically about what might be happening in that community, where the partnerships are?

Dr. Cindy Bell: British Columbia happens to be one of the provinces that has contributed greatly to the genomics environment in Canada, in that they have given specific funding to Genome British Columbia. Not only is that used to co-fund Genome Canada projects, but it also has allowed Genome British Columbia to launch competitions regionally to build up capacity and expertise in areas of priority in British Columbia. For example, the city of Vancouver is home to one of the leading science and technology innovation centres in Canada. It primarily is focusing on DNA sequencing and the technologies that go with it. This allows all of the Canadian scientists to have access to this technology for their research. It's housed in the B.C. Cancer Agency, but projects in forestry, fisheries, environment, and agriculture all have access to the same technology.

This group of scientists has participated in a number of key studies. One, for instance, concerned an individual who had a tumour of the tongue. The appropriate type of treatment could not be identified. Nothing was successful. They sequenced the tumour and identified that the individual had a mutation very similar to a kidney tumour. There is a drug that could treat that and they have now used that to treat the tumour in the tongue. This is something that has come out of the research in Vancouver.

The Chair: Okay, you have about 20 seconds.

Mrs. Cathy McLeod: Have you any other great examples, in 20 seconds?

Dr. Cindy Bell: I have lots, actually.

The Chair: Give one more brief one.

Dr. Cindy Bell: There are great salmon projects that are going on in Vancouver. We have been able to contribute to the sequencing of the salmon genome, which is a key resource to allow us to create a healthier aquaculture industy and wild fisheries industry with all salmonids.

The Chair: Thank you, Ms. McLeod.

We'll go to Mr. Marston, please.

Mr. Wayne Marston (Hamilton East—Stoney Creek, NDP): Thank you, Mr. Chair.

Thanks to our guests for being here. It has been a very interesting conversation so far.

It seems the private lenders have a way of limiting their liability by selecting particular mortgages they want to protect. Another comment was made that they all should be the same. Prior to 2006 they all were under CMHC.

Two of the presenters talked about 100% backing for private mortgage firms, but I didn't hear anything about moral hazard in that part of the discussion.

A more specific question is if the private sector pays more for capital, why would we want to make the public sector pay more, and how would that benefit consumers in Canada?

I will just throw that out there.

● (1055)

Mr. Finn Poschmann: Mr. Chairman, if I may take that question, I don't think anyone would recommend that private mortgage insurers be backed 100% by the Government of Canada, or certainly not without appropriate risk compensation in the form of risk adjustment premiums paid to the Government of Canada in a reinsurance model.

What is relevant here is establishing a more level playing field. An important question is why we have significant government involvement, a significant government role in the mortgage insurance business. Certainly you don't need to have a large residential underwriting business to underwrite lending with respect to low-income or social housing properties. These could be addressed through other means. If you are going to have major backing for the private sector essentially as a reinsurer, which is not a bad model, there should be adequate compensation for it.

Let's not forget there are risks going the other way. Back in the 1970s, CMHC ran aggressive home ownership programs, low-income rental housing programs specifically designed to bring low-income people into rental arrangements or ownership arrangements. When the 1981 downturn came, these lending arrangements, insurance arrangements, absolutely went to pieces. By 1984, the actuarial deficit that CMHC was running was $800 million. That represented a significant draw in numbers of the day on the public purse.

Mr. Wayne Marston: Why do Canadians need a 50% increase in the liability insurance—you know, from $200 billion to $300 billion?

Mr. Finn Poschmann: We're simply talking about expanding the maximum amount that can be underwritten by the Government of Canada. If the marketplace is willing to support that, under prudent underwriting terms there's really no reason it shouldn't.

Mr. Wayne Marston: You spoke of the downturn in the 1970s and into the 1980s. I was one of the people who went from 10.75% interest to 21.75%, so I know what it feels like.

Ms. Londerville, you've done a study, a report. Do you know of how many industrial countries actually have policies where they back non-governmental mortgage money?

Dr. Jane Londerville: I know there are private insurers in many other countries. I don't know to what extent they are government-backed.

Mr. Wayne Marston: Could you qualify "many other countries"? Are you talking half a dozen, or...?

Dr. Jane Londerville: Oh, no; many countries have mortgage insurance now. Australia has only private mortgage insurance, for example; they sold their public insurer to a private sector company. Now they have three companies providing mortgage insurance in Australia and New Zealand.

Mr. Wayne Marston: There's another question, and maybe Ms. Kinsley would like to answer this one.

What did Canadians get in return for their generosity to those in the private sector that they couldn't get from CMHC? Is there an advantage that anybody can see? We've heard the other side.

The Chair: You have one minute.

Mr. Wayne Marston: Okay. I'll give Ms. Kinsley a chance to answer.

Ms. Karen Kinsley: I'm going to self-interestedly say no.

Mr. Wayne Marston: Well, that's what I'm looking for.

Ms. Karen Kinsley: Kidding aside, with regard to the discussion earlier, we offer basically the same products and the same services through our lender clients to homebuyers. I think all the companies would argue that there may be some difference in service levels, and there may be some difference in turnaround times for approvals, but at the end of the day, on the substantive issue, which is insured or not, we operate the same.

Mr. Wayne Marston: Thank you.

Thank you, Mr. Chair.

The Chair: Thank you, Mr. Marston.

We'll go to Mr. Van Kesteren, please.

Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC): Thank you, Mr. Chair.

Thank you, witnesses, for appearing.

There's been much talk about not necessarily the entry but the legislation and the encouragement of the private sector. The argument goes, I suppose, that the public institutions....

And you've done an excellent job, Ms. Kinsley. I think we have a generation of success, maybe with some glitches. But the argument is that the public sector does a better job at guaranteeing the market.

I'm going to direct this question to Mr. Poschmann. The way I understand it, if we take the United States with Freddie Mac and Fannie Mae, weren't those two public institutions largely responsible for much of the turmoil that happened in the States? Do I understand this correctly in suggesting that much of the downturn and the havoc created in the States was as a result of government policy that didn't necessarily encourage good behaviour in lending practices? Am I right?

Perhaps you could expound on that.

● (1100)

Mr. Finn Poschmann: Thank you. I'd be delighted to.

The situation in the U.S. was a little bit different and it certainly formed a good flashing red light, so to speak.

Fannie Mae and Freddie Mac weren't the only government-sponsored enterprises who underwrote mortgage lending, and they continue to exist with the semblance of government backing that turned out to be real government backing. While they on the surface were publicly traded corporations, the risks to which they became exposed certainly did come back on the taxpayer.

You needed more than just that, though, to create the problems that we saw in the U.S. Part of it was an aggressive mandate aimed at increasing home ownership among low-income families and among low-income areas within the States. Extreme pressure from Congress and from the White House, through successive White Houses from the early 1990s through to the very end of the recent decade, pushed legislators to extend the mandates of Freddie Mae and Fannie Mac, to loosen their underwriting standards. Absolutely those expanded the risks to which U.S. taxpayers became exposed.

We didn't go quite as far on that route; in fact, the Government of Canada has put pressure at different times to restrain the lending practices or the underwriting practices by private insurers and by CMHC.

Mr. Dave Van Kesteren: So the government's changes in the rules.... For instance, we're going from 40 years to 35 years, and reducing that is a step in the right direction. Those are the things we have to do to guarantee this regardless of what happens in the United States.

Mr. Finn Poschmann: I think it is a step in the right direction. Forty-year amortizations may have their place in the world, but not in this one, not right now.

More important, I think, is the idea that we should “set it and forget it” with respect to amortization standards and the rules regarding what maximum loan-to-value ratios are minimums for insurance. Within that, let the market find its place and find its pricing. They tend to work out very well that way.

Mr. Dave Van Kesteren: If I have a few more minutes, Mr. Chair, I have a quick question for Ms. Bell.

Maybe you could just tell us a little more. In the industry committee, we learned that we have some great research going on in this country and some fabulous people who are doing the research. The difficulty was the translation from the research to the private sector. You've recognized this. I think that in your opening statement you talked about those things.

As an organization, are you tracking that? Do you see an improvement? What kind of improvement? Are we seeing 10% or 20%...? Maybe you could just quickly tell us what you see.

Dr. Cindy Bell: Certainly. That is of course something that has been identified in almost every report that has come out about the translation of discoveries into actual utility or application. Right now, we're trying to work with these industries and other end users. Sometimes there are regulatory issues and policy issues, or it may be something within industry, a gap that needs to be filled to address this.

We plan to work with those industries up front when we're developing our competitions, in order to get our scientists to work with them up front to ensure that there's actually uptake at the other end. This is sometimes part of the problem.

For example, a project that we're funding now is working on swine health. The actual pig breeders came together as a coalition in Canada and submitted a research project with a group of academic scientists. They're working together in a project and they know that the scientists will be delivering to them results and data that they can then use in their industry. That's a very important part.

We're also learning that we need to work with pharmaceutical companies in a new way, in more of a public-private partnership way, because they are struggling right now. For a lot of them, their patents are going off, and soon they will not be making the money they've made in the past. Drug discovery has been low.

● (1105)

The Chair: Thank you.

Thank you, Mr. Van Kesteren.

Monsieur Mai*, s'il vous plaît, pour cinq minutes*.

[*Translation*]

Mr. Mai, you have five minutes please.

Mr. Hoang Mai (Brossard—La Prairie, NDP): Thank you, Mr. Chair.

[*English*]

Thank you, witnesses, for being here.

I have a couple of questions. We understand that the idea of opening the market is for the benefit of consumers. Since so far we've opened up the markets by contracts, are there increased benefits for consumers? I'd like to know. Can we put that in numbers?

Mr. Poschmann.

Mr. Finn Poschmann: The benefits one would look for are through choice in a range of products. We've been working within the 90% framework more or less since the 1990s, and to this point mortgage insurance in Canada has mostly been an “any colour you like so long as it's black” market. There hasn't been a lot of range in products. There hasn't been a lot of range in the mortgage agreements themselves.

To speak about range and about benefits doesn't mean you simply have to add more risks to the system. You can design mechanisms that are well suited to the public—arguably, better suited than what we have now. Ms. Londerville mentioned one set of arrangements.

It has to do with the terms of mortgage insurance. In other words, do you pay a big lump sum up front, or do you pay a sliding premium that falls as the outstanding amount on the mortgage falls? There are many different ways you can tune the parameters that are put in. It's all about introducing choice and producing products that better match what it is that people demand.

Mr. Hoang Mai: Yes, but in terms of mortgage insurance premiums, for instance, since we have CMHC and we have the private sector that comes in, have mortgage insurance premiums been lowered? Yes?

Mr. Finn Poschmann: Yes.

Mr. Hoang Mai: Ms. Kinsley?

Ms. Karen Kinsley: I can respond to that.

CMHC tends to be the price setter in the marketplace. We have in fact lowered premiums and fees three times over the last decade or so. In all cases we have taken the lead to do that in part because of our public policy mandate. We must operate commercially, but that does not mean at maximum profit; it means commercially. When we've determined there's an ability to lower price, we have, and the private sector contenders have followed.

Mr. Hoang Mai: Obviously, opening the market means a bit of a loss for CMHC in terms of revenue because of the market. Is this being compensated for by the risk transfer fees we're getting in terms of opening the market for private companies?

Perhaps Ms. Londerville could comment on that.

Dr. Jane Londerville: I don't know if I'm the best person to address it.

Mr. Hoang Mai: Or Mr. Poschmann. In terms of numbers or in terms of what—

Dr. Jane Londerville: The fees, as I understand it, are set aside in case of a catastrophe where that 90% guarantee has to be acted upon.

Mr. Hoang Mai: But are they being paid annually? It is an amount that's being paid to the government because they're guaranteeing a certain amount in terms of a loan. Does that amount cover the loss that CMHC is incurring because the market is opening up?

Dr. Jane Londerville: Well, there are more people buying houses. Houses are going up in value. Loan amounts are going up. I would say that CMHC has not really lost in this.

Mr. Hoang Mai: Ms. Kinsley.

Ms. Karen Kinsley: Perhaps a simpler way to answer this is the private insurers pay a fee to the government for the risk that's inherent to the government for the 90% guarantee. To the extent that private insurers earn market share—and they do, they have about 30% of the market—I think the key difference is all the income from CMHC is the Government of Canada's, whereas in the case of the private sector insurers it's the fee relative to the risk that's assumed, and the balance of the profit remains with the private shareholders.

● (1110)

Mr. Hoang Mai: Yes. Why should the government back private companies?

Ms. Karen Kinsley: Could I answer that one, as odd as it may seem?

Mr. Hoang Mai: Sure.

Ms. Karen Kinsley: It goes to a technical rule with respect to what kind of capital the lenders who are the beneficiaries of our insurance policies have to set aside. Under international banking rules, if you are, as we are, a 100% government entity, you don't have to put aside any capital. In order to have a competitive marketplace in Canada, it was important for the government to introduce a similar level of guarantee to the private sector insurers to allow them to compete with us. We believe competition is a good thing. As I've described, the 10% differential in the guarantee is just a means to try to level the differences in our mandates.

Mr. Hoang Mai: Thank you very much.

The Chair: Thank you.

We'll go to Mr. Hoback, please.

Mr. Randy Hoback (Prince Albert, CPC): Mr. Chair, again I'd like to congratulate you on your recent win in the election for chair of this committee. I know you've done a great job in the past and I look forward to working with you in the future.

I also would like to thank the witnesses for coming here on a Monday morning. On a nice day it's always tough to sit inside Centre Block when you could be outside enjoying the sunshine, but we appreciate your time here, for sure.

I have a few questions, just for clarification, coming off my Liberal colleague's questions. Ms. Kinsley, do you foresee an increase in your marketing costs because of the changes in the legislation?

Ms. Karen Kinsley: Frankly, I don't see an increase as a result of the change in the legislation. As has been mentioned many times, really what the legislation is doing is formalizing or codifying practice today. As I said in my opening comments, because we have been in a competitive environment for a long time, we really don't see any significant change.

Mr. Randy Hoback: Really, nothing is changing.

Ms. Karen Kinsley: Nothing.

Mr. Randy Hoback: Nothing is really changing other than the fact that the process is becoming public instead of being a private contract. Is that fair to say?

Ms. Karen Kinsley: Exactly.

Mr. Randy Hoback: In the process with CMHC, a first-time home buyer pays the insurance premium upfront. Is that correct?

Ms. Karen Kinsley: Yes. A home buyer can either add it to the mortgage and amortize it over time with the mortgage, or pay it upfront.

Mr. Randy Hoback: Okay. Now let's say there's a 20-year mortgage for $100,000. The fee would be $1,800, if I remember correctly.

Ms. Karen Kinsley: On a $90,000 mortgage, yes.

Mr. Randy Hoback: That fee would be paid upfront.

I come from the great province of Saskatchewan, where housing has been going up substantially in the last few years. A year later, when I go to renew my mortgage, my lender may tell me that I could pull out some equity. The equity would be at 80%, so I would no longer need the CMHC guarantee. I would have used that insurance for only one year. Would I get any of that $1,800 back?

Ms. Karen Kinsley: No. Well, it was a direct question.

We insure the loan for the life of the loan, and this is important. To your point, on the one hand someone may want to see some of the premium returned; but imagine on the other side if home buyers, for employment reasons, need to move to another province, where perhaps it's more expensive, they can port or carry that mortgage with them, with the premium already paid. So it does allow them, over that 20 or 25 years, to be fully insured regardless of what home they ultimately reside in.

Mr. Randy Hoback: But in the private sector, one of the options they could offer if they wanted to offer a benefit or a feature is the ability to say yes, there is an opportunity to the private sector in how we structure the payment of that $1,800 so one would not actually take the hit up front.

Ms. Karen Kinsley: They could.

Mr. Randy Hoback: They could, so there is a reason, and not just a monetary reason for the private sector, but there is a reason for the customer to benefit from having other players in the marketplace.

Ms. Karen Kinsley: We could do the same as well, as an example, so the whole notion of how one pays for premiums, and to what degree, is within the operating parameters of the insurer.

Mr. Randy Hoback: And that's the joy of competition, because it creates imagination and different ways of delivering services.

I'm going to go to Ms. Bell. I come from the agriculture committee, and we've been doing a study on biotechnology, so to me this is just such a great announcement of $65 million.

I know that my colleague Ms. McLeod was asking about products in Vancouver. Of course I come from Saskatchewan, and it's amazing what you've done in the canola sector and the pulse sector, and actually you're doing some stuff in the wheat sector now. Do you want to just talk a little bit about that?

Dr. Cindy Bell: We've funded projects over a few years, in wheat, as you have said, looking at ways to create wheat that's drought-resistant, cold-tolerant, etc. But we have just funded a project, led out of the prairies, in which they are going to be part of the international team that's going to sequence the wheat genome, which will be an amazing resource, especially for Canada, where wheat is such an important commodity for us. That will lead to an ability to develop a number of varieties of wheat.

● (1115)

Mr. Randy Hoback: It's amazing when you sequence a genome, the amount of time you cut off the breeding section. Instead of it being a ten-year breeding program, in one or two years you can actually grab the markers you're trying to identify and really bring out new varieties quickly and effectively that are non-GMO, in fact. So it creates—

Dr. Cindy Bell: That's right; it's non-GMO.

The Chair: You have about 30 seconds.

Mr. Randy Hoback: How do you foresee the rollout of your funding of the $65 million to the different centres themselves? Will a percentage of that go to the centres and then a percentage go into the competition, or how do you see that angle working?

Dr. Cindy Bell: The money that will be available for research will be through an open competition in which scientists from across Canada will apply. That will be funded depending on the best science. That's how it works. And then a small portion has been allocated, according to the budget directions, to the support of the centres for their oversight.

A voice: And their operation.

Dr. Cindy Bell: That's correct.

The Chair: Thank you, Mr. Hoback.

Monsieur Giguère*, pour cinq minutes s'il vous plaît*.

[*Translation*]

Mr. Giguère, you have five minutes please.

Mr. Alain Giguère (Marc-Aurèle-Fortin, NDP): Thank you, Mr. Chair.

I want to get back to a very interesting question asked by my colleague Van Kesteren. I was extremely surprised by Mr. Poschmann's answer.

Correct me if I'm wrong, but in the U.S., the political pressures for deregulation came directly from the financial market. The pressures were numerous and strong, and they resulted in the deregulation we saw in the United States. The deregulation led two private companies, Fannie Mae and Freddie Mac, to agree to loans through what is called commercial papers.

Unless I'm mistaken, those two companies, although extremely transparent while they were privately owned, became government enterprises. The private sector actually took the profits, but it left American taxpayers with a tab of almost $500 billion. That's not really the type of situation I would like to see develop in Canada. I hope you agree with that.

Mr. Poschmann?

[*English*]

Mr. Finn Poschmann: Merci, monsieur.

I think, for the most part, I would agree. There was what one might think of as an unholy alliance in operation in the housing finance, insurance, and securitization market in the U.S. There absolutely was political pressure to extend lending, where arguably and in retrospect it certainly ought not to have been extended.

Certainly mortgage lenders who were operating under what's called an “originate to distribute” model sold off liabilities to buyers who were not very well informed about the risks to which they were exposed.

The management of Fannie Mae and Freddie Mac pressured Congress to lighten their lending standards so they could lend more and extend their books. In fact they were under extreme pressure to demonstrate profitability, and the management also had performance-based pay. This was at Fannie Mae and Freddie Mac, whose operations in every detail were overseen by U.S. legislation. It became so problematic that management had to be removed in the wake of severe questioning about the probity of their financial reporting.

So there was a very nasty and unfortunate confluence of events or interests among mortgage lenders, mortgage insurers, securitizers, borrowers, Congress, and the White House.

[*Translation*]

Mr. Alain Giguère: Mr. Chair, I think there was also some confusion between the private sector and public institutions. Unless I'm mistaken, during the recent economic recession—Ms. Kinsley could talk about that—the federal government asked the Canada Mortgage and Housing Corporation to provide the banks with some liquidity because they were holding back payments, and that could have caused a recession. If I understand correctly, your intervention helped reduce the deficit by a few billion dollars. Had that not been the case, the funds would have been drawn from the Canadian budget.

Is that correct, Ms. Kinsley?

● (1120)

[*English*]

Ms. Karen Kinsley: Yes, the essence of what you've said is correct, but I'll make a few corrections to the technicalities.

While the global economic downturn did not arise in Canada, it had a ripple effect in Canada. The quality of our housing market and our borrowers was strong, but the implication of the downturn was that banks didn't have the same degree of access to capital to continue to lend to qualified borrowers as they had in the past. So it was a liquidity crisis exactly as you've described. The question then became how could we assist in our role as the national housing agency.

We said to the government, by way of advice, “We have insured mortgages already with many of these lenders, so let's bring those mortgages to the broader capital market”. We have a program today that does that, and we were very successful at being able to raise money in the capital markets when ostensibly they were shut to most other issuers. But in addition, in the unique program that was introduced, that only went so far. Investors said, “While we like you only to a degree—”

The Chair: Ms. Kinsley, can we wrap up very quickly?

Ms. Karen Kinsley: Certainly.

We ended up purchasing to hold the mortgages that were already insured at a fee revenue to the Government of Canada. So the banks ended up with the liquidity they needed, the Government of Canada made money, and we ended up with no bigger risk than the risk we had through the insured mortgages.

The Chair: Thank you.

We'll go to Mr. Adler, please.

Mr. Mark Adler (York Centre, CPC): Thank you, Chair.

I also want to thank all the witnesses for being here today. I know some of you from my previous incarnation.

My first question is to Mr. Poschmann.

Based on your earlier remarks—I suspect you would agree with this—under the current bill CMHC is required to keep copious records, data, and all of that. The Minister of Finance would have access to all of that information to be able to share it with OSFI and the Governor of the Bank of Canada. I suspect you think that's a good thing.

Mr. Finn Poschmann: Mr. Chairman and Mr. Adler, yes, I do. In fact, I would be tempted to go just a little bit further to be just a little more prescriptive and say not that the minister may request but that CMHC shall provide reporting equivalent to that which is done by the private insurers.

Mr. Mark Adler: In terms of its oversight of the Canadian housing market, how do you think that would enhance oversight by regulatory authorities?

Mr. Finn Poschmann: The key point, Mr. Chairman and Mr. Adler, is clarity from the point of view of parliamentary oversight and oversight by the public of the risks to which Canadians are exposed through CMHC's mortgage underwriting and mortgage insurance activities and securitization activities. Again, we have little reason to doubt that the risks inherent in these activities are well managed. However, they are very large numbers, and they're very large risks. If you think about the impact of a significant housing market shock, while CMHC is well capitalized, as Ms. Kinsley has indicated—capitalized, they say, at higher than the standards that OSFI requires, so we should be well protected as taxpayers—nonetheless a significant market shock could easily eat up the capital that CMHC has set aside.

It's knowing something about the risks and making well-informed judgments about those risks from the point of view of Parliament, from the point of view of the federal taxpayer, that's absolutely central here.

Mr. Mark Adler: Thank you, Mr. Poschmann.

Ms. Bell, Genome Canada has been hugely successful since its inception. It's created various products from inception to commercialization; it's created very successful companies. To your knowledge, how many jobs across Canada would you say Genome Canada is responsible for, and how much does this contribute to the Canadian economy?

● (1125)

Dr. Cindy Bell: With regard to job creation, there would be thousands of jobs simply due to the research projects we support. Those are made up of dozens of scientists in each of the projects, and technicians, graduate students, post-docs, etc. The majority of the funding we spend actually goes into human resources.

In addition, we have at least 25 companies, I believe, that have spun out from Genome Canada. They're very small still, with few staff, so that may add an additional couple of hundred people.

Mr. Mark Adler: There's been a huge return on investment, in other words.

Dr. Cindy Bell: Yes, definitely.

Mr. Mark Adler: It's money well worth spending.

The Chair: You have one minute left.

Mr. Mark Adler: In terms of commercialization to reach that point, does Genome Canada get involved in venture capital funding at all, or attracting it, or anything to that effect?

Dr. Cindy Bell: No. That is not our role. However, what we do try to do is ensure that linkages are made. We have a memorandum of understanding with the Business Development Bank of Canada to try to identify projects that would be of interest to them, for example.

Mr. Mark Adler: Thank you.

The Chair: Thank you, Mr. Adler.

We'll go to Mr. Jean, please.

Mr. Brian Jean (Fort McMurray—Athabasca, CPC): Thank you, Mr. Chair, and thank you to the witnesses today.

I have three questions. The first has to do with CMHC. Of course, the Canadian taxpayers underwrite CMHC and the risks associated with it. Based upon the evidence given and the history of this file, CMHC in particular, there's a very low default rate based on the return on investment to taxpayers. Is that correct?

Ms. Karen Kinsley: Yes.

Mr. Brian Jean: The increase from $200 million to $300 million, as suggested by Mr. Marston, actually will not increase the percentage of risk to the taxpayers at all. Is that fair to say? You've got an increase in the amount of capital that you can lend, but it's not going to increase the percentage of risk to taxpayers.

Ms. Karen Kinsley: This is the increase for private insurers you're speaking of? You're asking...I'm sorry.

Mr. Brian Jean: Will it increase any risk to taxpayers on a percentage basis?

Ms. Karen Kinsley: I think to the extent it's reflective of the growth in the overall mortgage market and the fact that any borrower who puts down less than a 20% downpayment needs to be insured...I would say whether it's insured by the private insurer or ourselves, the risk would be the same.

Mr. Brian Jean: Exactly.

My second question is in relation to the private mortgage market and the amount of CMHC's involvement: $500 billion. In essence, that would suggest that the private mortgage market would be about $150 billion to $160 billion. Is that fair to say?

Ms. Karen Kinsley: We think it's about $200 billion.

Mr. Brian Jean: CMHC would be about 65%, then, in essence.

Not to quibble about that, is it fair to say that it's necessary for the private mortgage market to keep a 10% amount in a trust fund to in some way minimize the risk so that if there is a major catastrophe, they would be financially capable of meeting any kind of demand? Is that kept in a trust account? How is that money kept?

Ms. Karen Kinsley: This is an arrangement they would have with the Department of Finance. I wouldn't be privy to those details.

Mr. Brian Jean: Mr. Poschmann.

Mr. Finn Poschmann: My understanding is that 10% to 10.5% of premiums are set aside. They are expensable for the insurance company, but they're set aside in their own account.

Mr. Brian Jean: Is it a trust account? What kind of account is it?

Mr. Finn Poschmann: I don't know the details.

Mr. Brian Jean: What amount would that be? Would that be $15 billion, in essence? Or is it the amount of the premium?

Mr. Finn Poschmann: You're talking about a percentage of the premium written each year.

Mr. Brian Jean: Can anybody do a calculation on that? Is it $22 million or $23 million?

Mr. Finn Poschmann: The difficulty here is that we're referring on one hand to a stock of mortgages underwritten and on the other hand to a flow of premiums written each year.

Mr. Brian Jean: I understand.

What would the premiums be each year? Obviously, it would vary based on the housing market.

Mr. Finn Poschmann: I don't have a number at hand.

Mr. Brian Jean: Okay.

Finally, in relation to Genome Canada, there are 20 to 25 companies you mentioned. I would like to hear a little bit about those companies.

For most companies that would be started up, I think it's fair to say, in my mind, and to most of the people at this table, governments should have a limited role in relation to the private sector companies. But there have been somewhere in the neighbourhood of 20 to 25 companies that have been started up as a result of Genome Canada and the initiative there. I'd like to hear a little bit about those companies and the potential growth of those companies in relation to Canadian taxpayers, the return on investment, and the economy.

● (1130)

Dr. Cindy Bell: Certainly.

Of course, we are not involved in the commercialization of those companies. We're involved in the research up front that is used to launch those.

There's one example of a company in Ontario, DVS Sciences Inc., which has actually developed a mass spectrometry technology. They produce equipment that is used by researchers around the world and should be used for clinical purposes. That's one example.

Another example is one on colorectal cancer. They have developed a diagnostic test that should be able to identify a certain percentage of those at risk for colon cancer earlier than they did in the past so that they can be directed to the appropriate treatment. That's a diagnostic test that has spun out into a company.

Let me think of some more examples of companies. We have a company that is involved in transplantation transcriptomics that looks at biomarkers that are produced when there are problems with the transplantation of organs.

Mr. Brian Jean: In essence, Ms. Bell, it sounds like the investments in the companies that are being spun off are actually companies that will benefit not just Canada and Canadians but in essence the world, with health research and things like that.

Dr. Cindy Bell: Definitely.

Mr. Brian Jean: Thank you.

Those are all my questions, Mr. Chair.

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

I have a couple of clarifications, as the chair.

First of all, Ms. Londerville, does any other country use public funds to guarantee private mortgage insurers?

Dr. Jane Londerville: I don't know the answer to that. That wasn't something I looked at in my study. I would think they would have to. If they have a public and a private insurer, they would have the same issues with Basel that we do, right?

The Chair: Ms. Kinsley or Mr. Poschmann, do you know the answer to that question?

Ms. Karen Kinsley: We have taken a good look, from a policy perspective. Internationally, there are very limited public insurers. Probably Norway would be one exception. It is guaranteed by the government but is mandated to operate in a very specific segment of the market. Where there are private insurers internationally, they are generally not guaranteed by the government.

The Chair: Mr. Poschmann, would you agree?

Mr. Finn Poschmann: Yes.

The Chair: Thank you.

There is a second issue I just want to clarify. Obviously, there's been a discussion in terms of the relation between private and CMHC. But with respect specifically to this legislation, is there any increase in risk to the government or the taxpayer?

Maybe I'll have Ms. Kinsley address that very quickly.

Ms. Karen Kinsley: I think that may be the same question that was just asked, and my answer would be no, to the extent by law, which is required—people have to have mortgage insurance— whether it's us or the private sector competitor providing it, it would be the same risk to the government.

The Chair: Okay.

Mr. Poschmann, Ms. Londerville, do you agree with that?

Mr. Finn Poschmann: The answer, again, is no, and the opportunity to identify is that through regulation we may be able to better manage and identify risk in the future.

The Chair: I appreciate that. There is a larger discussion here about what we should do going forward with, with respect to mortgage insurance. Perhaps the committee may want to continue that discussion at some point.

We certainly appreciate your being here today. Colleagues, we are going to move to clause-by-clause, so I will suspend this chair for a minute or two to allow our witnesses to sit in the audience if they so choose, if they want to observe the clause-by-clause discussion of the budget bill.

Thank you very much for being here, especially on very short notice.

● (1130)

(Pause)

● (1145)

The Chair: Colleagues, we will move to clause-by-clause consideration.

I will just remind everyone that we do have officials here from the Department of Finance, the Department of Human Resources and Skills Development, the Department of Transport, and the Treasury Board Secretariat. This bill has 45 clauses. I'm suggesting, colleagues, we go by parts, as there are 12 parts to the bill.

For clause-by-clause consideration, pursuant to Standing Order 75 (1), consideration of clause 1 is postponed. The chair will call clause 2.

Part 1 includes clauses 2 to 8. I know there are some questions on this part, so if I could ask those officials responsible for part 1 to come to the table, please.... There are some questions regarding the wording around “disability”.

Would you like to introduce yourself, sir, to the committee?

Mr. Sean Keenan (Acting Director, Personal Income Tax Division, Department of Finance): My name is Sean Keenan, and I am the acting director of the personal income tax division of the Department of Finance.

The Chair: Are you capable of addressing any questions with respect to part 1?

Mr. Sean Keenan: To the RDSP, the registered disability savings plan provisions?

The Chair: Yes. I think anyone responsible for part 1 should be at the table. Is everyone at the table responsible for part 1?

I do have questions from Monsieur Giguère. Do you want to *poser vos questions*?

[*Translation*]

Mr. Alain Giguère: I have a number of questions.

The first is about subsection 146.4 and the definition of “specified year,” and what entitles people to withdraw their savings before a certain date.

If I understand correctly, critically ill individuals likely to die can take out the savings from their disability savings plan before their death without having to face tax penalties.

Mr. Sean Keenan: That is in fact the objective of that provision.

● (1150)

Mr. Alain Giguère: It's what the individual must provide to have that right that's problematic. There are two important elements. First, the person must get a doctor's note certifying that the beneficiary will die within five years. There are few doctors who would make such a medical prognosis for a five-year period.

The second issue is that individuals are given five years to die. They're basically told they must die within five years because if they don't and are still alive in a convalescent centre or a hospice in the sixth year, they will face heavy tax penalties.

There is no protection. You're obligating people to die within five years. I don't understand why, in terms of taxes, we are confusing medical evidence, which is not at all clear-cut, with tax liability.

Mr. Sean Keenan: I will start by answering your first question. There are of course cases where a doctor does not want to state how long they think an individual has to live. However, there are cases where such an opinion can be given, where it would be possible for beneficiaries of a registered disability savings plan to have access to their savings.

Currently, there is a penalty. The plan is designed so that the beneficiary can receive the money in the future. A provision requires that beneficiaries who withdraw a certain amount of money repay the government all the grants they received over the last 10 years.

That provision enables the beneficiary to withdraw money from the plan during those five years. However, there is no penalty if the beneficiary does not die. Of course, government grants and contributions must cease during that period, but there is a provision that covers a change in the beneficiary's situation. Beneficiaries can change the plan's status, resume contributions and receive government grants in the future.

Mr. Alain Giguère: That doesn't exactly address the issue. Here is a hypothetical situation. A man has been diagnosed with brain cancer, and thanks to medicine and a certain medical futility, he lives for longer than five years. In the sixth year, perhaps even the seventh year, while he is dying in a hospice, he loses his rights. His life expectancy is limited to five years from a tax standpoint.

We can resolve the issue by removing the five-year requirement. We would say that we simply acknowledge the doctor's certificate stating that the individual has a critical illness that could sooner or later be fatal. No doctor would have a hard time signing that kind of a document. That way, in terms of taxes, we would do away with any obligation to die within five years.

It would be ridiculous for individuals receiving palliative care, who need their money to pay for additional or private care, such as the services of a caregiver, to lose their income, pursuant to tax laws, because they are not dead within five years. I think that it's completely unreasonable to set a deadline for dying in revenue law.

● (1155)

The Chair: Okay, thanks.

[*English*]

I think Mrs. Glover would like to add to this point.

Mrs. Shelly Glover: This clause matters a whole lot to my family. As you talk about brain cancer, I have a daughter who has been given 12 years...because she has brain cancer. I think this clause speaks very well to the fact that when her miracle happens—because she is in year six. There is no penalty if she has used the funds, right? She can go on to a new program if she so desires, which I think is what we want for these folks, because there are miracles that happen.

I don't think Monsieur Giguère understands the importance of having the words “not likely to survive five years” as opposed to “five years”. It's important to have that. I think this absolutely addresses his concern...and my concern that my daughter won't have a penalty when her miracle happens, and she will be able to start a new plan if that happens.

My question is, if someone survives the five-year period that was not likely to happen, what is required from a medical doctor or the person himself or herself to switch and restart the plan?

Mr. Sean Keenan: In order for the plan to be changed from a regular plan to a plan in which you can make an early withdrawal without penalties from the assistance holdback amount, the beneficiary must file with their financial institution an election and a medical certificate from a medical doctor. That would then be filed with the Canada Revenue Agency and Human Resources and Skills Development Canada, and they would keep it in their records that these amounts may be withdrawn without penalty.

In order to reverse that election, the individual merely needs to file a notice that essentially says they wish to reverse that election.

Mrs. Shelly Glover: On pages 2 and 3 of the bill itself—just for the benefit of Monsieur Giguère—it talks about how the recipient can actually change the plan. Am I correct?

Mr. Sean Keenan: That's right, yes.

Mrs. Shelly Glover: Thank you.

The Chair: Is there a section that addresses his concern that you can reverse the notification?

Mr. Sean Keenan: It starts at line 31 on page 2:

> (1.2) A plan ceases to be a specified disability savings plan at the earliest of the following times:
>
> (a) the time that the specified Minister receives a notification, in a manner and format acceptable to the specified Minister, from the issuer of the plan that the holder elects that the plan is to cease to be a specified disability savings plan;

So the individual can make an election to reverse the treatment of their plan.

The Chair: Does that address your concern, Monsieur Giguère?

[*Translation*]

Mr. Alain Giguère: Mr. Chair, the problem remains exactly the same. Mrs. Glover is talking about someone who, by a miracle, survives and regains perfect health within five years thanks to a new drug. That can really happen, I agree.

However, I am talking about someone who is ill and remains ill. In the sixth year, that individual is no longer entitled to receive benefits through a disability savings plan. There is a cut-off period.

● (1200)

[*English*]

The Chair: Just for clarification, Mr. Keenan, my understanding is that.... I mean, we talk about cures; if the person lives beyond the five years, you can reverse the notification. Is that correct?

Mr. Sean Keenan: They can reverse the notification at any time. They have a plan. What this provision does right now is that if you make a withdrawal from the plan, for government contributions that have been made within the preceding ten years, those contributions have to be repaid to the government. That's in order to promote the long-term savings objectives of the plan.

Essentially, the premise or the notion is that parents want to save for their children, their severely disabled children, when they're no longer able to look after them. So the plan is set up. It receives government support. Then, when the parents are no longer able to support the child, the money will be there.

In certain instances, people will have an expectation that they will die very soon, and therefore that ten-year rule becomes very punitive in terms of repaying those funds. There's no requirement that they withdraw all of the money within the five years. It just gives them the capacity to do so. They can withdraw up to $10,000 in taxable amounts.

So the plan doesn't necessarily expire. It won't expire after five years.

The Chair: Okay.

Does that address your concerns?

[*Translation*]

Mr. Alain Giguère: The plan doesn't expire, but the issue is that, in the sixth year, the person receiving palliative care in an institution will no longer be able to withdraw money without having to repay the government.

That would be extremely easy to correct by eliminating the five-year deadline, the obligation to die within five years. That would be extremely simple, Mrs. Glover. All we need to do is remove the obligation to die within five years.

[*English*]

The Chair: Okay. Thank you.

Go ahead, Ms. Glover, please.

Mrs. Shelly Glover: Mr. Chair, I don't see an obligation to die within five years anywhere in this act.

If I am correct, Mr. Keenan, it says in fact that a certification can be received from a medical doctor if a doctor believes they are not likely to survive five years. However, I see no limitation in the act that says they must die within five years or a penalty is assigned. I'm not sure where Monsieur Giguère is getting that.

Can you confirm, Mr. Keenan, that if the person is in palliative care and a legal representative is now taking over that person's affairs because they are not able, that legal representative can continue to access funds as a result of this act? Is that not correct?

Mr. Sean Keenan: If I understand your question, you're saying that if the person does not die after five years, the funds are still available. There is no requirement that the funds be repaid. Any withdrawn amounts—

Mrs. Shelly Glover: Right, and because the person is no longer able to make withdrawals personally, there is a potential to transfer it over so that the legal representative can also access the funds to further take care of that person in need. Is that correct?

Mr. Sean Keenan: The plan always has a plan holder, who is either the beneficiary or that person's appropriate legal representative.

The Chair: Reading the language for proposed subsection 146.4 (1.1) in subclause 2(2), I'm not sure, Monsieur Giguère, where you're getting the understanding that they have to die within that five-year period. I don't see it within the phrasing I'm reading here.

Mr. Keenan is indicating that is not the case. I'm not sure where the problem is.

[*Translation*]

Mr. Alain Giguère: Mr. Chair, basically, at the beginning of part 1 of the book, two points related to subsection 146.4(1) clearly indicate that, in terms of regulation, the subsequent five calendar years are the set cut-off.

● (1205)

[*English*]

The Chair: Ms. McLeod, do you want to offer a point on this?

Mrs. Cathy McLeod: I just want Mr. Keenan to clarify. I understand Mr. Giguère's concern to be that if someone is perhaps in their sixth year and still has money in the plan from both government contributions and individual contributions, Mr. Giguère believes a penalty would be triggered in that sixth year. I just want Mr. Keenan to indicate that it wouldn't be.

The Chair: Mr. Keenan, can you clarify? This wording is from Finance Canada.

Mr. Sean Keenan: This wording is defining what a specified year is.

The Chair: Go ahead on a point of order, Ms. Glover.

Mrs. Shelly Glover: Could I know which paragraph you are looking at, if you wouldn't mind? Then I'll understand better.

The Chair: Assuming this is the binder provided by Finance Canada, this is in part 1, page 1, on definitions, “specified year”, and part 2. It starts on page 1 and continues on page 2.

Is everybody clear on that?

Mrs. Shelly Glover: Part 1 talks about what the current rules are, and then the next page says what the new definition is going to be, right?

The Chair: Yes.

Thank you.

Go ahead, Mr. Keenan.

Mr. Sean Keenan: This part says that the specified years include the year in which the medical doctor certifies and each of the following five calendar years. That's under the current rules.

The provision says that in any of those years withdrawals can be made without triggering the assistance holdback amount.

The Chair: The main concern with this wording is that if someone survives past the five years they will somehow lose benefits. You have to be categorical on this. You're saying that is not true in the legislation or in the explanatory notes.

Mr. Sean Keenan: If someone has certification that says they have a shortened life expectancy, it then says there are specified years. After that period of time, right now I suppose they would need to be recertified. The way it reads, the specified years allow them to make those withdrawals, and there are no penalties if they survive after that period of time. There are no provisions in the bill that if they survive more than five years they are required to repay the amounts they have withdrawn from the plan.

The Chair: Okay.

Ms. Glover, do you want to add to this?

Mrs. Shelly Glover: Thanks to our wonderful analysts.

There's actually an error in the French version of the bill. If we look at Bill C-3, after paragraph 2(1)(a) we see “or”, but in the French version there is no “or”.

● (1210)

[*Translation*]

On page 1 of the French version of the bill, at the end of proposed subclause 2(1)(*a*), there should be an “or” to reflect the wording on page 2 of the English version.

[*English*]

Could we call on officials from legislative services or Justice Canada if they are here? They may be able to explain this a little bit better.

The Chair: Yes.

Please introduce yourself.

Ms. Sonia Beaulieu (Law Branch, Tax Counsel Division, Department of Finance): I am Sonia Beaulieu. I am with the tax counsel division of the Department of Finance. It's one of the legal services at the Department of Finance.

You raised the issue of “or” in the English version. However, in French when we draft legislation we don't put “or” or “and” between paragraphs. It's reflected in the preamble of the section and it says:

[*Translation*]

“[...] ainsi que celles des années ci-après qui sont applicables:”

[*English*]

So the “or” concept is there.

The Chair: Okay.

Mr. Giguère, did you follow that?

[*Translation*]

Mr. Alain Giguère: I followed very well, but I didn't understand a thing.

It's always a problem when we confuse elements with no specific figures in revenue law. Life expectancy is not a specific figure.

The issue, even if you take out the “or”... If you say that everything is there and everything is fine and well, there will be no problem.

I want to know what happens if the person is still alive after five years. Your own documents talk about the five-year period. I even pointed out the page. Will that individual still have the right to withdraw money from their disability savings plan in the sixth year?

If you say that the individual is not penalized for the five years, I want to understand what you mean. It would be the last straw if they were penalized and asked for more money.

However, I want to know if individuals can continue withdrawing money from their disability savings plan if they are still alive after six or seven years.

[*English*]

Mr. Sean Keenan: I'll have to confirm that.

The Chair: You'll have to confirm “may”, meaning yes, it's true, or you'll have to confirm it with other officials?

Mr. Sean Keenan: I would just like to go back and confirm with some other officials, if that's possible.

The Chair: I think we should table part 1, and we'll have to move on.

Obviously if this bill is to be dealt with by this committee, we need this done expeditiously. So I'm looking to someone in Finance to get an answer to us as soon as possible.

A point of order, Mr. Jean.

● (1215)

Mr. Brian Jean: Thank you, Mr. Chair.

I understood earlier—he suggested—that if somebody is going to be in that kind of care they're going to be under the care and supervision of a doctor. My understanding is that they can reapply up to the fifth year without penalty. So the person could obviously redo that, Mr. Chair, and we've already heard that evidence.

That's why it would be a point of order, in my opinion.

The Chair: That's not a point of order; it's a point of debate.

This issue, though, is that Monsieur Giguère asked a very specific question, which is the question he's asking.

Mr. Keenan, my understanding is you're not giving a very clear answer. You want time to confer with someone else before giving a clear answer to that question?

Mr. Sean Keenan: Yes.

The Chair: Okay. Thank you.

We will table clauses 2 to 8 for now.

(Clauses 2 to 8 inclusive allowed to stand)

(Clauses 9 to 19 inclusive agreed to)

The Chair: I think there are questions or points that people want to make on part 7. Part 7 obviously deals with the issue we discussed this morning, and that deals with clauses 20 to 26.

Ms. Nash, do you want officials brought to the table?

Ms. Peggy Nash: I don't know if that's necessary.

My concern, Mr. Chair, is that these clauses form just about half of the entire bill. This part is 20 pages long. Someone described it earlier as a bill within a bill. We have been advised that mainly because of the pension income benefits it's important to rush this bill so that seniors can get their cheques, but I fail to see what the rush is with this substantive change when we have not fully examined it. I'm very uncomfortable about rushing through this part of the bill.

I have not heard from the witnesses how increasing private mortgage insurance is in the public interest. I think there are implications for public liability, given that the public liability is increasing from $200 billion to $300 billion. That's big. That's massive. I think Canadians would want to fully understand what this means, especially given the disastrous bailouts of mortgage insurers south of the border. Canada has fared so much better because of prudent management and regulation, but we don't want to rush through changes that could dramatically increase the liability of Canadians.

I would urge that this part of the bill be hived off to allow us further time to examine it. Perhaps it could be included in the implementation bill that will come up in the fall. That would be a more prudent approach to something that is a significant change.

That would be my recommendation, Mr. Chair.

● (1220)

The Chair: Thank you, Ms. Nash.

I have Mr. McCallum, Mr. Hoback, and then Mr. Jean.

Hon. John McCallum (Markham—Unionville, Lib.): Mr. Chair, I have a question from somewhat of a different angle. It seems to me there's an asymmetry in this bill, which is a bit strange, especially coming from a Conservative government, because it seems to, in some sense, favour the government sector over the private sector.

My understanding is that the CMHC cap is now $600 billion, but it was $350 billion back in 2008. That's not a legislated cap. It can change, I guess, by order in council or through some other mechanism. The cap on the private sector is $300 billion, which now would constitute one-third of the market, and that's legislated.

If you want to legislate a cap for the private sector, why not legislate a cap for CMHC as well? Why is there this difference in treatment?

The Chair: Thank you, Mr. McCallum.

We'll go to Mr. Hoback now.

Mr. Randy Hoback: I'm looking at what Ms. Nash said. We did have witnesses in front of us from different sectors who talked about this piece and what actually is going on. They all said basically the same thing, that this is more or less a process change from two private contracts to a process that is now in legislation.

Ms. Kinsley from the CMHC said they were not expecting any more competition, that they were not expecting any more changes in their operation or the operation of the private sector companies. All that was happening was the process was being identified in legislation instead of special contract. I'm not sure how much more study we'd actually require on this. I don't think we need any more.

The Chair: Thank you.

Mr. Jean.

Mr. Brian Jean: On that point, my question was whether the increase from $200 billion to $300 billion would increase the percentage risk to taxpayers at all, and the answer from Ms. Kinsley was clearly no, it would not. I don't understand what Ms. Nash is suggesting because the evidence today has indicated that it will not increase the risk to Canadian taxpayers at all. It's the same percentage risk as they currently hold.

The Chair: Are there any further questions?

Mr. McCallum has a question on the table.

Mrs. Glover.

Mrs. Shelly Glover: I'm glad to see the officials are here. I just want to correct the record.

I may be wrong, but are we going from $200 billion to $300 billion? I thought it was $250 billion to $300 billion.

Ms. Jane Pearse (Director, Financial Institutions Division, Department of Finance): Your number is right.

Mrs. Shelly Glover: So it's $250 billion to $300 billion. Thank you.

The Chair: Do the officials or anyone on the government side wish to address Mr. McCallum's question?

Ms. Jane Pearse: I'm sorry, could you repeat the question?

Hon. John McCallum: Yes.

There seems to be a difference in treatment, the rationale for which I don't know, and that is because you have a legislated cap for the private sector and a lesser cap through other means than legislation for the CMHC.

My question is why this difference in treatment.

Ms. Ling Wang (Executive Advisor, Financial Sector Policy Branch, Department of Finance): The CMHC cap is also legislated. The limit is legislated in the National Housing Act. It has the same mechanism as the proposed bills for increasing the limit through a future appropriation act.

Hon. John McCallum: So the CMHC cap is in legislation at $600 billion?

Ms. Ling Wang: It's legislated, yes. The latest $600 billion is in the 2008-2009 Appropriation Act.

Hon. John McCallum: Okay. So then my premise is wrong. They are both legislated. Is that your answer?

Ms. Ling Wang: That's correct.

Hon. John McCallum: Okay.

Thank you.

The Chair: Thank you.

Mr. Marston, please.

Mr. Wayne Marston: Just to go a little bit further on that, if it's legislated, then could an order in council increase that cap?

Ms. Ling Wang: In order to increase the cap, both for CMHC and for the private mortgage insurers under the proposed bill, an appropriation act is necessary.

Mr. Wayne Marston: So it would have to be brought to the House?

Ms. Ling Wang: Yes.

Mr. Wayne Marston: Thank you.

The Chair: Do you have one more question, Ms. Glover?

Mrs. Shelly Glover: It sounds to me as if we're having a bit of a debate outside the scope of the bill, Mr. Chair. If we want to study the housing market, we certainly can do that following the next four years that we have to study different things in committee. CMHC versus private insurers, and what the caps are, etc.—that isn't addressed in the bill specifically. I'd like to stick to what's in the bill.

When we talk about urgency, and I would ask the officials to confirm this, the reason I see it as being urgent is that when we look at other countries, like Greece and Italy—this morning I was listening to the news—we see there is risk worldwide economically. This just ensures that there actually is oversight. Without this bill, if unfortunately there were a downturn we wouldn't have legislated oversight, which is why this is an urgent bill.

Is that correct? Do you want to add anything or expand upon that?

● (1225)

Ms. Jane Pearse: It does enhance the stability of the housing finance market. Currently there are contracts that are outstanding between the government and the private mortgage insurers. To date those have worked very well, but putting it into legislation does increase the transparency and does increase the government's ability to make timely changes when required.

The Chair: Thank you.

Ms. Nash, please.

Ms. Peggy Nash: What I'm seeing in this bill is the figure of $300 billion, which is different from $200 billion, which it was five years ago, and different from $250 billion. I guess I don't understand how increasing Canadians' liability to $300 billion from $250 billion or $200 billion, which it was five years ago, is not an increase in public liability or in the amount that Canadians are on the hook for.

In my view, this is something that is complicated. It affects a great number of Canadians. We heard the head of the Bank of Canada just last week talk about his concern in regard to a dramatic increase in housing prices in some parts of the country and his concern that perhaps there could be a correction of those housing prices, which has happened in the U.S.

A lot of things have happened in the U.S. That doesn't mean they're going to happen here, but certainly a steep correction in the housing market could leave Canadians vulnerable, put some of their mortgage responsibilities at risk, and therefore increase the risks to Canadians who are backstopping those mortgages—for certain ones.

To me, this is complicated. It is significant. What I would urge is that we examine this further to make sure we're making the right decision. There were decisions made in the U.S. that were not challenged publicly at the time and increased the liability and the risk for all Americans, with devastating results. I would just argue for a little more time, given that this is a significant change.

The Chair: Did one of the officials want to address this?

Ms. Pearse.

Ms. Jane Pearse: I'm not sure I can speak to the issue of how your committee chooses to deal with this part of the act—

The Chair: In terms of the $300 billion limit.

Ms. Jane Pearse: Pardon me?

The Chair: In terms of the issue of the amount of the limit.

Ms. Jane Pearse: Oh. We have a number of pieces of legislation that interact. In the financial institutions legislation we have a requirement that all mortgages over 80% have mortgage insurance, so on the one hand, we have a requirement that a mortgage lender must receive mortgage insurance from either CMHC or a private mortgage insurer in order to take on the mortgage of a Canadian who wishes to purchase a house with a down payment of less than 20%. With that mandatory requirement in legislation, the government would be under an obligation to ensure that mortgage insurance is available.

If the question is whether we are increasing the government's liability, I suppose the absolute number is increasing, but the question this piece of legislation is addressing is whether we should be moving into legislation the contracts that currently exist for private mortgage insurers. So I see it as being a slightly different question. I don't think this piece of legislation is increasing the liability to the Government of Canada.

● (1230)

The Chair: You're saying that the model we have in place in Canada requires that the loan limit be increased.

Ms. Jane Pearse: Yes, because of rising house prices and the rising number of people purchasing houses.

The Chair: But it doesn't change the model, it doesn't change the amount that is leveraged, and it doesn't change the actual liability of the government.

Ms. Jane Pearse: Well, the liability of the government, as you say, will be going up in absolute numbers, yes.

The Chair: Yes, but as a proportion.

Ms. Jane Pearse: Yes.

The Chair: Okay. I think we obviously have different views here. If members of the opposition aren't comfortable, they can vote against that, but I'm not.... My sense is that the government wishes this section to be included.

Ms. Nash.

Ms. Peggy Nash: If there's no ability to postpone this to deal with it more thoroughly, then we'll be voting against this section.

The Chair: Okay.

Can I deal with clauses 20 to 26 inclusive? This is part 7.

(Clauses 20 to 26 inclusive agreed to on division)

(Clauses 27 to 33 inclusive agreed to)

The Chair: Are there any questions on part 11, clauses 34 to 36?

Mr. McCallum.

Hon. John McCallum: Yes, I have some concerns about this and I have some questions I'd like to ask.

Right now I believe only certain departments, like Public Works, are allowed to provide shared services to other departments. The changes in this bill could result in radical change in the way government operates, with the potential for tens of thousands of layoffs. How does the government plan to make use of these shared services measures, and which departments are being targeted?

I note that the in-effect date for these changes is retroactive to June 1 of this year, so that would suggest the government has some pretty concrete plans in mind. Has the government had any discussions with our public sector unions on how these measures might be used?

The Chair: We have officials at the table, so I would just ask the officials to introduce themselves and provide an answer.

Mr. Gonzague Guéranger (Acting Assistant Comptroller General, Financial Management Sector, Treasury Board Secretariat): Good morning. My name is Gonzague Guéranger from the Treasury Board of Canada Secretariat.

Mr. Peter O'Callaghan (Senior Analyst, Office of the Comptroller General, Treasury Board): I'm Peter O'Callaghan from the Comptroller General's Office.

Mr. Doug Nevison (Director, Fiscal Policy Division, Economic and Fiscal Policy Branch, Department of Finance): Doug Nevison from the Department of Finance.

Mr. Stefan Matiation (Senior Privy Council Officer, Machinery of Government, Privy Council Office): Stefan Matiation, Privy Council Office.

● (1235)

The Chair: Who would like to address Mr. McCallum's questions?

Mr. Gonzague Guéranger: I can begin with some elements of the answer.

Thank you for your question. This bill is really to acknowledge the fact that more and more departments—and we have been doing this for a while—have been taking the initiative to collaborate among themselves to share some of the internal support services they need. It could be related to HR, finance, IM/IT, these kinds of services. The main reason for this collaboration most of the time is that we have small organizations that don't have enough capacities, and they prefer to regroup so they can share these services in a more economical and efficient way. We have an example of that in different places in the government, and we want to recognize that movement and give them the legislative authority to proceed with those arrangements.

It is true that there is an increasing demand for building new delivery mechanisms among departments to reduce costs and increase efficiencies for these internal support services. This will enable further collaboration among departments.

I'd just like to mention that it is not retroactive.

The Chair: Mr. O'Callaghan.

Mr. Peter O'Callaghan: Only clause 35 is retroactive to June 1. Clause 34 is not; that is the clause that would enable the provision of interdepartmental services.

Mr. Stefan Matiation: I can speak to clause 35. This clause would add a provision to the Financial Administration Act that would clarify that a department to which a portion of the federal public administration is transferred under the Public Service Rearrangement and Transfer of Duties Act may make expenditures in respect of that portion of the federal public administration and the functions carried out within it.

To explain this further, the Public Service Rearrangement and Transfer of Duties Act is legislation that enables the Governor in Council to move a unit from one department to another.

The policy intent of the amendment in clause 35 is that the unspent balance of the funds that have been appropriated to the transferred unit or portion within one department can then be spent by the department to which they've been transferred. The amendment would basically align the spending authority with the department to which the portion has been transferred.

It's clause 35 that is retroactive to June 1. That would mean that if there are any orders in council under the Public Service Rearrangement and Transfer of Duties Act from that date forward, those orders would be subject to this deeming provision.

The Chair: Thank you.

Mr. Jean, please.

Mr. Brian Jean: I've never been known for my spelling ability, but in paragraph 29.2(4)(g), is the word “materiel” correct?

Mr. Peter O'Callaghan: Yes, it is. There is the term “materiel”. I don't know the exact definition of it, but it is the correct spelling.

Mr. Brian Jean: Thank you.

The Chair: Thank you.

Are there further questions?

Mr. McCallum.

Hon. John McCallum: The officials gave a very benign interpretation to my question, which is fine. This is really more a comment. I believe that under Mike Harris, in Ontario, the same sort of mechanism was used. So, for example, one human resources department would serve a variety of departments, and the people in the HR departments of these other departments would simply be fired. That was a mechanism to fire a lot of people, but it also put services at risk.

I note that both the Treasury Board president and the finance minister were senior economic ministers in the Harris cabinet, so I see a little bit of history repeating itself, or at least the risk of that.

The Chair: Do you want to...?

Hon. John McCallum: I'm not asking them to answer that, unless they would like to.

The Chair: Do you want to respond on whether this is modelled on the Harris government's effort to fire civil servants? I think that's the question.

Mr. Gonzague Guéranger: No, it is really not. For instance, as you know, in the budget we have the strategic operating review, and the bill we are talking about is independent of that. We would have proceeded with it regardless, because it's a good model to put in place to increase efficiencies and spend public moneys better by allowing departments to collaborate and share these administrative services among themselves.

In fact, to be honest with you, it was a recommendation from the Auditor General's report in 2008 that such a move be made to allow smaller organizations in particular to collaborate among themselves to get those services more cheaply.

● (1240)

The Chair: Okay. Do you want me to go on, or Ms. Glover, do you want to make a point?

Mrs. Shelly Glover: I'm glad you brought up the Auditor General's report, sir.

I just want to ask a quick question. Can you give us an example of how internal services are already being shared by two departments, and that this just basically puts into legislation that this is okay?

Mr. Gonzague Guéranger: Yes, the example I would use is two departments that would share the same financial system or HR system. Instead of having two departments buying the same system—

Mrs. Shelly Glover: I'm sorry, I think you misunderstood. I want you to give me a concrete example. For example, Finance shares a service with Treasury Board.

Mr. Gonzague Guéranger: Yes.

Mrs. Shelly Glover: What is that service?

Mr. Gonzague Guéranger: They are sharing most of the corporate services on the HR side. For instance, for the staffing, instead of Treasury Board Secretariat and Finance duplicating and having two units to help with staffing people, we have combined this expertise and we are making economies of scale.

Mrs. Shelly Glover: Are IT services also shared?

Mr. Gonzague Guéranger: The IT services at Finance I think are shared. Yes, we share.

Mrs. Shelly Glover: Okay. So this just legislates the fact that it's already happening.

Thank you.

The Chair: Thank you.

Ms. McLeod, did you have something further?

Mrs. Cathy McLeod: I'll just say a quick sentence.

Rather unlike Mr. McCallum, I think Canadians expect us to have government departments that can work together. To be frank, I was quite stunned that we actually had to have legislation that required us to do that.

I think it's very sensible, and I guess we're ready to move on.

The Chair: Okay. Thank you.

(Clauses 34 to 36 inclusive agreed to)

The Chair: Thank you to all the officials.

We'll go to part 12, which is clauses 37 to 45.

Are there questions?

[*Translation*]

Mr. Alain Giguère: Mr. Chair, I am told that I would be able to ask the officials questions on an element from part 4 and the Canadian Youth Business Foundation. I wanted to ask for some clarifications. Have you already voted? Is it over?

[*English*]

The Chair: Part 4 has passed. We've already voted on part 4.

The Finance officials who were here probably have left, but you can certainly consult with them. We'll maybe have someone from Finance or through Ms. Glover attempt to answer your question. But that section has already passed.

(Clauses 37 to 45 inclusive agreed to)

The Chair: We have to return to part 1.

I'd perhaps ask Mr. Keenan if he'd come back to the table. Hopefully we have some clarification with respect to the questions that have been asked.

Mr. Sean Keenan: In the definition at the top of page 2, under proposed paragraph 2(1)(a), there are two definitions for what a “specified year” is. In this instance, what we're adding is the specified year for the purpose of allowing you early withdrawals without penalty. It says: “if the plan is a specified disability savings plan”, which is what this measure does, “each subsequent calendar year, but does not include any calendar year prior to” it. What that provision is saying is that after the election is made, after the certification is received, it can be any year after that. It's not limited to the five years.

In response to the question, in year six there's no requirement for recertification. Once the certification has been received, the provisions of this measure apply in any subsequent year.

The Chair: Just to clarify, then, when you have proposed paragraph 2(1)(b), with each of the five calendar years....

● (1245)

Mr. Sean Keenan: Proposed paragraph 2(1)(b) starts with “in any other case”. There is an existing provision in the act that says that if you are withdrawing funds, there are certain minimum withdrawal rules that apply and maximum withdrawal rules that apply. If you have a shortened life expectancy—we're piggybacking on that definition of the “specified year”—in those five years, then the minimum and the maximum payment amounts do not apply. That's when you're withdrawing funds. The provision that allows you to have it become a specified disability savings plan says that it's in the year of certification and each subsequent year.

The Chair: Okay.

Mr. Giguère, does that address your concern?

[*Translation*]

Mr. Alain Giguère: That answers my question, especially since I assume that the statement made by the finance department's official will be on the record. Therefore, his interpretation will have the force of law. Individuals who remain extremely ill after five years will still have the right in the sixth year to withdraw money from their disability savings plan without having to repay the government. That's what Mr. Keenan said. I take his statement as is, and since it's on the record, that interpretation now has the force of law. It is part of the rules of interpretation for revenue laws.

[*English*]

The Chair: Okay, *merci*.

Ms. Glover, do you want to comment?

[*Translation*]

Mrs. Shelly Glover: Mr. Giguère wants to turn an employee's statement into law, but that's not how things work here. He just specified that that's how the bill is explained. Personally, I have faith. It's only once we, as parliamentarians, pass this bill through a vote in the House of Commons that it will become law. It won't become law because an employee of the finance department provided us with some explanations. I just wanted to make sure that's understood. I have faith that, given the nature of the bill and the fact that it mentions five subsequent years, those still suffering after five years will receive money under the plan.

The Chair: Mr. Giguère.

Mr. Alain Giguère: There is a gradation. We refer to the law and, if we want more details, we can refer to debates, officials' explanations and even their talks. We can say that's part of the jurisprudence. I take that statement as is. It was made here and was accepted by everyone. Therefore, I expect that individuals who are still alive after five years will never experience problems.

[*English*]

The Chair: Mr. Keenan, obviously that was a matter of concern for the committee, so we want to thank you for coming back and clarifying that.

I see no further questions on this section.

(Clauses 2 to 8 inclusive agreed to)

The Chair: Thank you.

Thank you, Mr. Keenan.

Shall the short title carry?

Some hon. members: Agreed.

The Chair: Shall the title carry?

Some hon. members: Agreed.

The Chair: Shall the bill carry?

Some hon. members: Agreed.

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

Some hon. members: Agreed.

The Chair: That's it.

Colleagues, I want to ask a very brief question. This is mainly for the subcommittee. I need some guidance from the subcommittee members and then the full committee on pre-budget consultations.

We've had a request. One of the members of the subcommittee will not be here tomorrow. One option is to have the subcommittee tomorrow. The other option is to have the subcommittee Thursday morning for an hour and then do the full committee for an hour. I don't know if we'll need the full hour for both. So the option is to meet Thursday morning with the subcommittee first at 11 a.m. and then with the full committee at noon, or meet the subcommittee tomorrow at 11 a.m. and then meet the full committee on Thursday at 11 a.m.

Ms. Glover.

• (1250)

Mrs. Shelly Glover: Tomorrow is our regularly scheduled meeting, but there is another option that I might put on the table. We have this room until 2 , if the subcommittee chooses to use that time now and continue. I'd be glad to stay and give direction now.

The Chair: That's an option.

Ms. Glover is recommending that we keep the subcommittee here. We would probably suspend for a few minutes and then start again with the subcommittee. The other options are tomorrow or Thursday morning.

Mr. Mai, do you have a preference?

Mr. Hoang Mai: [*Inaudible—Editor*]

The Chair: Okay.

A point of order, Mr. Hoback.

Mr. Randy Hoback: When do you have to table the report today?

The Chair: At 3 o'clock.

Mr. Randy Hoback: Thank you.

The Chair: Ms. Nash.

Ms. Peggy Nash: I just want to clarify, because the whole bill went through at the very end there, that on division we're not supporting it because of part 7, which we voted against.

The Chair: Do you mean “Shall the bill carry”? There was no “on division” for the bill, so the bill carried.

Ms. Peggy Nash: We're not in support of it.

The Chair: The “on division” is for clauses 20 to 26.

Ms. Peggy Nash: We're not against that. We not in support of the total bill.

The Chair: Just hold on.

It is noted here, but I cannot, as the chair, go back to something I've already dealt with.

Ms. Peggy Nash: We did not say we were in favour of it. We're not in favour of it.

The Chair: I said “Shall the bill carry”, and I did not hear any objection.

Ms. Peggy Nash: We are not in favour.

The Chair: There is a report stage, and I would encourage you to make sure your party records its objection at that time.

Thank you.

Getting back to the meeting issue, Mr. McCallum.

Hon. John McCallum: On the meeting issue, we'd have a preference for the Thursday because Scott Brison will be back then and he's the critic now. That would be our preference.

The Chair: Yes, Ms. Glover.

Mrs. Shelly Glover: Unfortunately, I won't be available on Thursday.

What time would he be available tomorrow?

The Chair: I'm going to suggest that we adjourn and then I'll have the members of the subcommittee discuss it informally, and then if we get agreement we'll come back in about five minutes or so.

Thank you, colleagues.

The meeting is adjourned.

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