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CANADA

## Standing Committee on Finance

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EVIDENCE

**Thursday, May 17, 2012**

—  
**Chair**

**Mr. James Rajotte**



## Standing Committee on Finance

Thursday, May 17, 2012

• (1530)

[English]

**The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)):** I call this meeting to order. This is the 61st meeting of the Standing Committee on Finance. We are televised today. Our orders of the day are pursuant to the order of reference of Monday, May 14, 2012. We are studying Bill C-38, an act to implement certain provisions of the budget tabled in Parliament on March 29, 2012, and other measures.

Colleagues, we are on part 4, division 13, which deals with the Bretton Woods and Related Agreements Act.

We have with us Mr. Campbell, from the Department of Finance.

Mr. Campbell, I'll let you give an overview of this division, and then we'll have questions from members.

**Mr. Glenn Campbell (Director, International Policy and Analysis Division, Department of Finance):** Thank you.

Division 13 pertains to strengthening the legitimacy and effectiveness of the International Monetary Fund. The IMF is a key global institution in assisting the international community through economic, financial, and monetary crises. The fund is referred to as a Bretton Woods Institution, along with the World Bank, due to their origins under the 1944 agreement.

The legislative provision relates to the ratification of the 2010 quota and governance reform agreement among 187 countries, in particular to double all countries' quota share in the international financial institution and to allow for more voice and representation of emerging market and developing economies. The agreement stems from the IMF resources agreement following the G-20, and the IMFC following the 2008–09 financial crisis. Each member country is assigned a quota share, based broadly on its relative position in the global economy as determined by a formula. A member's quota determines its voting power as well as its financial commitment to the IMF.

Clause 375 amends section 7 of the Bretton Woods and Related Agreements Act to reflect an increase in Canada's quota subscription from roughly \$6.3 billion special drawing rights, SDRs, to \$11 billion. An SDR is the unit of account at the IMF and is worth approximately 1.5 Canadian dollars at the current exchange rate. Canada's quota—i.e., potential financial commitment—will therefore increase to approximately \$17 billion Canadian from \$10 billion. This is a non-budgetary item, in which it has no direct fiscal impact. Any lending under the IMF is paid interest and is treated as an asset under Canada's foreign exchange reserves.

Clause 376 is a housekeeping measure that amends section 13 of the Bretton Woods Act to change the date of the annual report to Parliament under the act from March 31 to September 30. This will align the date of the government's annual report on the operations of the IMF and the World Bank with the annual report on development assistance.

Aside from the quota doubling included in this bill, there is a treaty amendment before Parliament that pertains to amendments of the article agreement to reflect modest changes to the governance structure of the IMF. That's sitting before Parliament now.

I am willing to take questions, Mr. Chairman.

**The Chair:** Thank you very much, Mr. Campbell.

[Translation]

We will begin with Mr. Caron.

You have the floor.

**Mr. Guy Caron (Rimouski-Neigette—Témiscouata—Les Basques, NDP):** Thank you.

I would like to know whether you think the special drawing rights and general resources of the International Monetary Fund are currently at a sufficient level to protect Canada, the United States and the European nations from a potential default on Greece's debt.

[English]

**Mr. Glenn Campbell:** Rather than speculate on any particular event, I would say that the government's position is that with the conclusion of this agreement with the IMF having roughly \$1 trillion, at present, of what we call forward commitment capacity—available lending resources—Canada's view is that the IMF, after this agreement, has sufficient resources to deal with any imminent threats and risks. At the present time, the IMF has \$400 billion U.S. worth of available lending capacity at its disposal. It also has commitments from all the member countries that if it were to need additional resources, they would be there in a time of need. The view of the Government of Canada is that following the ratification of the 2010 agreement, there is sufficient quota, and there are sufficient resources commitment behind the IMF at the present time. The IMF is already engaged in a program to support Greece at the present time.

• (1535)

[Translation]

**Mr. Guy Caron:** I assume you base your projections on various scenarios, but do you have an idea of the impact a potential default on Greece's debt would have on Canada's economic growth?

[English]

**Mr. Glenn Campbell:** I'm not prepared to answer that at the present time. However, I believe the minister has stated that Canada is not immune from international crisis, and that's why we're following the issue in Europe very closely.

[Translation]

**Mr. Guy Caron:** Thank you.

I am going to keep my subsequent questions for the witnesses who speak later.

[English]

**The Chair:** Merci.

**Mr. Paul Dewar (Ottawa Centre, NDP):** I'd like to—

**The Chair:** There are three minutes left.

**Mr. Paul Dewar:** I have a question about the World Bank. Who's our representative right now at the World Bank?

**Mr. Glenn Campbell:** Canada has appointed an executive director who leads the Canadian constituency, along with a number of Caribbean countries and Ireland, and that person's name is Marie-Lucie Morin.

**Mr. Paul Dewar:** Are you aware whether they have ever been present at a committee of Parliament?

**Mr. Glenn Campbell:** I look after the IMF, not the World Bank, but I can certainly get back to the committee on that question.

**Mr. Paul Dewar:** For the record, Chair, I think you'll find we haven't had a presentation—unless I'm wrong—at the foreign affairs committee. I'm wondering if you've recently had a presentation from our representative to the World Bank at the finance committee.

**The Chair:** We haven't, but for clarification, what does this have to do with the budget act?

**Mr. Paul Dewar:** What was referenced are changes to Bretton Woods, which is touched by the World Bank. If we're going to be looking at this in a fulsome way at some point, I was wondering if you would contemplate having representatives from the institutions that are being touched on.

**The Chair:** For clarification, do these amendments touch on the World Bank at all?

**Mr. Glenn Campbell:** No, they do not.

**The Chair:** Okay.

We can certainly take it under advisement.

**Mr. Paul Dewar:** It was just a point of clarity. Thank you.

**The Chair:** Okay, great. Thank you.

I'm going to go to Mr. Brison.

**Hon. Scott Brison (Kings—Hants, Lib.):** Thank you, Chair.

Thank you for being before us today.

Given the current turmoil and challenges, we understand the rationale for increasing our commitment, and other countries' IMF partners are doing the same. Are we doing so with our other partners proportionally?

Has there been some analysis, or do you have some analysis or insight on the impact on what the prudential strength of the IMF would be if the euro were threatened by a Greek departure and the contagion that would lead to others with similar fiscal challenges potentially doing the same? What would be the potential threats to the prudential strength of the IMF in that sort of event?

**Mr. Glenn Campbell:** That's a very good question.

On the first one, the agreement pertaining to quota, Canada is participating with its proportional share. The quota determines what our financial contribution is, and a quota system determines the size of our economy and a degree of openness. Roughly speaking, the size of one's economy leads to the amount you must contribute as a commitment to the IMF pending an agreement, and that also translates into voting rights, which you're able to use and exercise when managing the fund.

The basic tenet of the International Monetary Fund, first and foremost, is that it has primary creditor status. It means that whenever it engages in any entity—a sovereignty entity—everything else is subordinated. Whatever happens when the IMF is involved, part of the conditions are that the IMF always gets paid back. That has been the case through the history. When it's been involved, particularly in emerging market crises and Asian crises in the past, agreements under which the IMF lends its balance sheet are always according to very strict stringent conditionality, to which the receiving sovereign must abide in terms of what structuring it needs to make. Then, it's usually monitored very closely by the IMF such that it does in the end get paid back.

The concept of the IMF is that you take a country off borrowing from sovereign markets, you get a lower borrowing rate, and you force it to make structural change such that it's in a position to repay all other countries. At present the IMF has 50 years of experience and a lot of resources at its disposal to withstand any major shock.

● (1540)

**Hon. Scott Brison:** That's helpful. I guess to a certain extent it's a subjective judgment. Certainly primary creditor status helps, but you're a maritimer, so if you don't mind my saying, if the arse falls out of the euro, even with primary creditor status these are uncharted territories.

Do you think your firewall commitment is going to be sufficient to get us through this, or is there some analysis now that the current firewall is not going to potentially be a large enough commitment?

**Mr. Glenn Campbell:** For clarification, are you pertaining to the European firewall or the—

**Hon. Scott Brison:** Yes, the European firewall.

**Mr. Glenn Campbell:** It's very delicate for me to comment on the situation in Europe at the present time, and perhaps it falls outside the scope of the provision here. However, again on behalf of the minister, we are certainly following closely and are very concerned and mindful of what's happening, and we hope that the European governments make full use of their support facilities.

**Hon. Scott Brison:** Thank you.

**The Chair:** I don't have any other colleagues on the list, so I'll thank Mr. Campbell very much for presenting to us today.

We will bring forward officials for division 14, Canada Health Act. For colleagues' information, that's on page 281 of Bill C-38.

Welcome to the committee. Thank you for joining us this afternoon. We'd appreciate it if you had an opening statement, an overview, then we'll have questions from members.

Thank you.

**Mr. Gilles Moreau (Director General, National Compensation, Royal Canadian Mounted Police, Department of Public Safety):** I would first like to thank the committee for inviting the RCMP to appear at this meeting today on the study of clause 377, where it is proposed that paragraph (b) of the definition "insured person" in section 2 of the Canada Health Act be repealed to enable the modernization of the RCMP's health services program. The amendment to the definition of an insured person within the Canada Health Act will allow members of the Royal Canadian Mounted Police to be included as insurable persons under the provincial and territorial health programs.

The RCMP would divest itself of the administrative functions of providing basic health care services for its members, and in turn eliminate the indirect costs related to the administration and management of this activity.

Provinces and territories would assume the provision of basic health care to RCMP members under the provincial and territorial health programs. The provincial and territorial health programs are currently funded to provide and administer basic health care services for the force's members, as they receive federal transfer payments based on total population figures that include RCMP members as part of their overall population base.

The amendment to the Canada Health Act would come into force upon royal assent to the proposed Jobs, Growth and Long-term Prosperity Act.

Again, thank you for inviting me today. I look forward to answering your questions.

**The Chair:** Thank you for your presentation.

We'll start with Monsieur Caron, *s'il vous plait*.

[Translation]

**Mr. Guy Caron:** I will be brief.

If services are no longer provided by the federal government, I assume the costs will be borne by the provinces. Is that correct?

**Mr. Gilles Moreau:** Yes.

**Mr. Guy Caron:** Have the provinces been consulted?

**Mr. Gilles Moreau:** The provinces with which we have contracts have been consulted. They asked us to look at this last year when we were negotiating police services contracts with them. It was at their request that we suggested the government make this change.

As regards the health departments, I will be in Toronto next week with a Health Canada representative to meet with officials from every province.

**Mr. Guy Caron:** You say the provinces. Have all the provinces been consulted?

**Mr. Gilles Moreau:** We haven't signed a contract with Ontario or Quebec.

**Mr. Guy Caron:** All right.

However, you are going to meet with the representatives of the health departments of those two provinces.

**Mr. Gilles Moreau:** We will be meeting them next week with the other health partners.

**Mr. Guy Caron:** All right.

Do you have an idea of the amount that would go to the provinces as a result of this decision?

• (1545)

**Mr. Gilles Moreau:** If we are talking about the costs to provide basic care to regular members of the RCMP, it's about \$40 million. The cost to the federal government is \$25 million. The cost to the provinces is \$15 million.

That cost is incurred because, when we receive services in the provinces, we are not considered residents. So we pay more than a resident. In some places, it's two or three times more expensive. That's how we will be saving money.

We conducted an analysis of what the costs will be in each province. That analysis is based on what residents would be charged for the same services that have been received in the past.

**Mr. Guy Caron:** What you say is interesting. People weren't considered residents of a particular province, but were Canadian. So they were considered residents of another province.

**Mr. Gilles Moreau:** That's it. We are not considered residents because we don't have health insurance cards.

**Mr. Guy Caron:** I see.

**Mr. Gilles Moreau:** For example, in British Columbia, a medical procedure that normally costs a resident \$100 costs an RCMP member \$300. We bill the provinces 70% of that amount under the agreements and contracts. So the province had to pay \$210 for that service and the federal government, that is to say the RCMP, paid \$90. Under what is being proposed, that transaction would cost the provincial government \$100. That's one example among many.

**Mr. Guy Caron:** What were the arguments of the provinces that you consulted for repatriating those services? I find this a bit strange since it will result in additional costs to them.

**Mr. Gilles Moreau:** When we renegotiated the RCMP's service contracts, which were signed in early 2012, the provinces with which we have a contract said that this was one of the points they wanted to discuss. They wondered why RCMP members were not covered by the provincial plans. In this way, we could reduce the costs that are billed to RCMP members and then, indirectly, to the province when we send it a bill. That consultation was conducted with the provinces and territories with which we have contracts.

**Mr. Guy Caron:** I have a final question to finish with.

You tell me you have not yet started discussions with Quebec and Ontario. It is possible that those provinces may find themselves facing a fait accompli before the negotiations culminate in a decision. Is that correct?

**Mr. Gilles Moreau:** They are aware of the proposed change to the act. There have been discussions between the provincial health departments and Health Canada. We will address those questions with them next week to determine how implementation will be done because the provincial legislation and regulations must be amended to enable RCMP members to obtain health insurance cards, even if the Canadian act is amended.

**Mr. Guy Caron:** Thank you very much.

[English]

**The Chair:** Thank you.

I'll go to Ms. McLeod, please.

**Mrs. Cathy McLeod (Kamloops—Thompson—Cariboo, CPC):** Thank you, Mr. Chair. I have a quick comment.

Certainly I can see there will be significant opportunities in terms of the RCMP and the administration. It was very interesting a few weeks ago when we met with a number of physicians and physician offices and hospital administrators. There are also some savings at that end, I understand. One of the physicians indicated to us that between these different separate and special programs they were spending a day a week, which could be spent on patient care, taking care of aboriginal affairs or the RCMP or whatever. Not only are there going to be savings within the federal government at our end, but certainly at another system and structure at the provincial end.

**Mr. Gilles Moreau:** I'm a police officer. It's an observation you're making. Perhaps that would make sense.

**Mrs. Cathy McLeod:** Thank you.

**The Chair:** Thank you.

Mr. Brison, go ahead, please.

**Hon. Scott Brison:** Thank you very much for joining us today.

The federal government has a responsibility for health care for the RCMP and for first nations, aboriginal. Those are the primary two, I guess, the military and....

**Mr. Jonathan Roy (Senior Policy Analyst, Social Policy, Health, Justice, Culture, Department of Finance):** Yes, the military, members of the Canadian Forces, and people in federal penitentiaries as well.

• (1550)

**Hon. Scott Brison:** Yes. Those would be the groups: federal penitentiary inmates; RCMP and military; and aboriginal and first nations.

The director of communications for the Minister of Public Safety said, when these changes were announced, "We are upgrading their status so that they can receive the same high standard of health care as any other Canadian". She was indicating there's a delta between the quality of the health care provided to RCMP currently and the quality of health care afforded by the provincial systems. What are some of the differences in terms of quality she would be referring to?

**Mr. Gilles Moreau:** I would not be able to answer that question.

Basically, the way forward is that members of the RCMP will receive the same as residents of a province or a territory. Our members are receiving health care right now, which we provide through another card that we issue to them. Sometimes they have to

pay up front—pay out of pocket and get reimbursed. The whole processing and the access perhaps will be much better regarding having to submit bills when you see your doctor if you don't take your card.

**Hon. Scott Brison:** Is the situation, as it has been or is currently, universally the case across Canada? For instance, if you were in Halifax or Ottawa as a corporal in the RCMP, would you not already be using the provincial system?

**Mr. Gilles Moreau:** No, we don't have provincial health cards.

**Hon. Scott Brison:** At all?

**Mr. Gilles Moreau:** Basically, you can still get access to the same doctors; however, they will bill the RCMP differently.

**Hon. Scott Brison:** There would be no delta in quality in communities like Ottawa or Halifax or Toronto. It would be the same system; it's just a different payment system.

**Mr. Gilles Moreau:** The payment system is different.

**Hon. Scott Brison:** On the quality difference she's referring to, would that be more based in remote communities?

**Mr. Gilles Moreau:** I cannot answer that as far as what she's referring to. I would say that in remote communities, having access to a doctor or to health care will remain the same as what it is for our members. And we want to make sure that they have access to health care like any other Canadians.

**Hon. Scott Brison:** I just want to clarify this. The director of communications for the Minister of Public Safety has said they are upgrading their status, and she's saying that the reason is so that they can receive the same high standard of health care as any other Canadian. But you're saying the quality of health care was not part of the decision-making process in this.

**Mr. Gilles Moreau:** I don't know what she's referring to as far as the differences are concerned; however, I can tell you that our members are receiving quality health care right now and will continue to receive quality health care in the future.

**Hon. Scott Brison:** Mr. Chair, we ought to hear perhaps from Ms. Carmichael, or someone from the Ministry of Public Safety, just to help edify for us what she meant by that, the differences in health care. She clearly said that they were upgrading their status, making this change so that they can receive the same standard of health care as any other Canadian. I think it's important for us to understand that, because it's not clear. I appreciate Mr. Moreau is not aware of that. It would perhaps be helpful to have her come.

**The Chair:** You can certainly suggest her as a witness.

**Hon. Scott Brison:** Yes, I think that would be helpful. Thank you.

**The Chair:** I'll go to Ms. Glover, please.

**Mrs. Shelly Glover (Saint Boniface, CPC):** Thank you, Chair.

I want to say from one police officer to another, thank you very much for your service to our country. It's been a tough couple of years. I just want you to know how much the government—and I'm sure members across the way would echo this—appreciates all the work that you do to protect our interest.

Going back to the health care situation, I just want to make sure I understand it properly, because I too have heard from a number of police officers who think this is a good way to move forward. And I've also heard from people in municipalities that have contracting through the RCMP who believe this is a cost-saving measure for them.

To be clear, the provinces and the territories currently are receiving federal transfers, from the federal government, based on total population figures that include RCMP members already. Is that correct?

**Mr. Gilles Moreau:** Yes.

**Mrs. Shelly Glover:** When we look at RCMP members who are treated at a provincial level, because they are considered non-residential, they are sometimes actually charged 200% more as a premium. It's as if, for example, Americans were to come to Canada and get health care services and they're actually charged a premium for not being resident. Is that correct? It's higher than the average cost. Is that correct?

•(1555)

**Mr. Gilles Moreau:** Yes.

**Mrs. Shelly Glover:** Right. So in those cases, I know from our contract policing partners that all of those expensive costs, those premium costs, actually get charged to them. Is that correct?

**Mr. Gilles Moreau:** Yes. It's at a percentage based on the contract that we have. It's 70% with provinces, 90% with municipalities. With other municipalities it may be 100%.

**Mrs. Shelly Glover:** Which is where we demonstrate, clearly, that the municipalities that have contracts with the RCMP—of course they have partnerships with the provinces—see this as a way to save money. They shouldn't be paying 200% or 150% when they already, if you were resident, would just be paying the same basic amount as any other Canadian.

I just want to make sure that I've understood it, because I see that's about \$15 million in savings to those contract policing partners, or to the provinces, let's say. And then, of course, there would be some savings for the federal government as well, where RCMP members aren't contracted out but are simply serving as our national police force, right? And that's a \$25 million savings.

**Mr. Gilles Moreau:** That's part of it, yes.

**Mrs. Shelly Glover:** Okay.

The last point I want to make sure I have right is that RCMP members are actually being charged provincial tax premiums as part of their personal income tax for health care programs that they don't benefit from as well. Is that right?

**Mr. Gilles Moreau:** They don't personally benefit from them. That's right.

**Mrs. Shelly Glover:** So implementing these changes would obviously put them right with the rest of Canada?

**Mr. Gilles Moreau:** Yes.

**Mrs. Shelly Glover:** So this is a win-win all the way around.

**Mr. Gilles Moreau:** That's for you to say.

**Mrs. Shelly Glover:** Thank you.

**The Chair:** Thank you, Ms. Glover.

Monsieur Mai.

[*Translation*]

**Mr. Hoang Mai (Brossard—La Prairie, NDP):** Thank you, Mr. Chair. Thank you for being here with us today, gentlemen.

I have a question for you.

We are talking about \$25 million in savings for the RCMP and another \$15 million in savings. You also said that the provinces had requested this. Will the provinces definitely be saving money, or will they be facing increased costs?

**Mr. Gilles Moreau:** In health?

**Mr. Hoang Mai:** Yes.

**Mr. Gilles Moreau:** In total, there will be an increase because the federal party will no longer be involved.

**Mr. Hoang Mai:** All right.

Do we have an idea of the cost that will be transferred from the federal to the provincial level?

**Mr. Gilles Moreau:** We're talking about a similar cost of approximately \$15 million.

**Mr. Hoang Mai:** So it's \$15 million more for the provinces.

**Mr. Gilles Moreau:** Yes.

**Mr. Hoang Mai:** You say the provinces agree with that.

Do you know whether there has been an agreement with the federal government since it is saving \$25 million or the equivalent? Will it refund \$15 million to the provinces?

[*English*]

**Mr. Jonathan Roy:** No, there's no plan to reimburse or provide additional funding. As mentioned in the meeting, the Canada health transfer already includes members of the RCMP who are in a particular province, so it's already funded. In fact this amendment really addresses the fact that the provision of a health care service to an RCMP member is really paid twice by the transfer, through the health premiums in the income tax that an RCMP member may pay, and then secondarily by the federal government through the current process. That would eliminate that double payment.

[*Translation*]

**Mr. Hoang Mai:** I'd like to understand what you are saying.

[English]

If I understand correctly, right now, with regard to the federal health transfer, even though the federal government will be having savings and the provinces will increase their costs, the current transfer amount is not being changed?

**Mr. Jonathan Roy:** That is correct.

**Mr. Hoang Mai:** There is no intention of adjusting or modifying that portion of it?

**Mr. Jonathan Roy:** That's correct.

**Mr. Hoang Mai:** So, again, the federal government is down-loading.

I understand your point regarding double payment, but at the end of the day, when we look at figures for the RCMP, the federal government is saving \$25 million and we're making the provinces pay \$15 million more, or they have increased costs of \$15 million.

• (1600)

**Mr. Jonathan Roy:** Yes.

[Translation]

**Mr. Gilles Moreau:** I simply wanted to correct what was said about the \$15 million. The provinces will therefore be saving on the public safety portfolio contracts. The cost to the provinces for those same health services, which currently stands at \$40 million, will total \$24 million.

**Mr. Hoang Mai:** They're saving \$15 million, but they have to pay \$24 million. That's in fact a difference of \$9 million.

**Mr. Gilles Moreau:** Yes.

**Mr. Hoang Mai:** All right. Thank you.

[English]

**The Chair:** Thank you.

Mr. Jean, go ahead, please.

**Mr. Brian Jean (Fort McMurray—Athabasca, CPC):** Mr. Chair, thank you.

I have just a couple comments and questions.

If we take the premise that there's only one taxpayer in Canada—which in my consideration there is—it's really a net wash, as far as money changing hands goes. There is a little bit of difference, but taxpayers ultimately pay the price—and I see you nodding your head—so the taxpayers in this case are going to save money through administration, through eliminating duplication of services, through economy of scale. That's really how they're going to save money, is it not?

**Mr. Jonathan Roy:** Yes. I think the main savings will be on the administrative side. There will be one less system for billing, etc.

**Mr. Brian Jean:** Basic economics is what's going to help taxpayers actually save money. I think that makes a lot of sense.

I think the service to the members will actually be improved somewhat. In Alberta, at least, Alberta Health Care keeps all of our information, and as we go see doctors or pharmacists and as we fill prescriptions and do things like that, it keeps track of all the costs to the provincial government. When you need that information, you can

get that information easily, and usually it's posted very quickly. So on an administration basis, having only one system would be much better for the end-user of medical services, who again is the taxpayer. Is that fair to say?

**Mr. Gilles Moreau:** Yes, it is. One must remember that the RCMP is in the policing business, as opposed to being in the health business. I think provinces and territories are better equipped to deal with basic health care for RCMP members.

**Mr. Brian Jean:** That's because they're already doing it for everybody else in the population.

**Mr. Gilles Moreau:** Agreed.

**Mr. Brian Jean:** That's a great decision. Thank you very much.

**The Chair:** Thank you.

Thank you, colleagues. Those are all the questions I have on this division.

I want to thank our witnesses very much for being with us here today and for your responses to our questions.

That was division 14.

Our two officials for division 15, from public safety, are in a meeting and were not able to change until at least 4:40 p.m. So I'm just going to temporarily table division 15, and we'll go to division 17. We'll come back to division 15 as soon as those witnesses are here.

We will deal with division 17, which is on page 285. It is the Federal-Provincial Fiscal Arrangements Act. We'll have Mr. MacDonald back to the table.

**Mr. Daniel MacDonald (Chief, Federal-Provincial Relations Division, CHT/CST and Northern Policy, Department of Finance):** Certainly.

Division 17, amendments to the Federal-Provincial Fiscal Arrangements Act and the Canada Health Act, will do three things through clauses 390 to 410. First, it will allow for additional fiscal equalization payments to be paid to the provinces in 2012-13, pursuant to clause 390. Secondly, the amendments legislate the elements of major transfer renewal announced at the finance ministers meeting in December 2011. Announced on page 191 of the budget, this is dealt with in five clauses: 393 through to 395, 397, and 399. And the remaining clauses make consequential and housekeeping amendments to the Federal-Provincial Fiscal Arrangements Act and the Canada Health Act.

What I would propose is reviewing the amendments clause by clause, beginning with the transfer protection and the implementation—the announcement on major transfer renewal—and concluding with the group of 15 amendments that are consequential.

I'll begin with clause 390. This is the protection of payments against declines in major transfers. This section is being modified to set out additional transfer protection payments that will be paid to the provinces in 2012-13. These protection payments take the form of additional equalization payments. They're designed to ensure that no province receives less in 2012-13 through the combined equalization of the Canada health transfer and the Canada social transfer than it did in 2011-12.

The protection yields, as set out in the bill, an additional \$362,127,000 to Quebec; \$13,471,000 to Nova Scotia; \$102,767,000 to New Brunswick; and \$201,295,000 to Manitoba.

I'll now turn to clause 393. This is the clause that will set the growth rate for the Canada health transfer. Paragraph 24.1(1)(a) of the Federal-Provincial Fiscal Arrangements Act sets out the calculation of the total Canada health transfer cash contribution. The cash contribution refers to the total amount of Canada health transfer cash paid in a year to all provinces and territories.

As announced in December 2011 and confirmed in budget 2012, the amendment extends the calculation of the total Canada health transfer cash contribution beyond 2014, in two stages. In the first stage, the 6% annual growth is extended by changing the date in subparagraph 124.1(1)(a)(iv) that reads "March 31, 2014" to read "March 31, 2017".

Then new proposed subparagraph 24.1(1)(a)(v) provides that starting in 2017-18, annual growth will be aligned with the three-year moving average of gross domestic product growth. This will be estimated for the fiscal year for which the payment is to be made and the two prior fiscal years, with a minimum annual growth rate of 3%, as announced. The average gross domestic product growth approach will be the same as is used in equalization.

Clauses 394 and 395 together describe the equal per capita transition for the Canada health transfer.

I'll begin with clause 394. Subsection 24.2(1) of the Federal-Provincial Fiscal Arrangements Act sets out the calculation of the provincial shares of the Canada health transfer cash contribution. Provincial shares refers to the allocation of the total cash among provinces and territories.

The amendment limits the inclusion of the tax transfers and the provincial shares calculation to the period ending in 2014. So where the paragraph that set out the calculation of the tax and cash used to say "in that paragraph" to refer to the tax and cash calculation, it now provides for the dates between "April 1, 2004 and ending on March 31, 2014". The effect of this amendment is to prepare the way to move the Canada health transfer to an equal per capita cash allocation, beginning in 2014-15, as was originally announced in budget 2007, committed to in legislation in 2007 in current section 24.21 of this act, and reconfirmed in budget 2012.

In companion clause 395, section 24.21 of the Federal-Provincial Fiscal Arrangements Act sets out the calculation of the provincial shares of the Canada health transfer for the fiscal years 2014-15 and beyond. The amendment replaces the commitment to equal per capita cash beginning in 2014-15, found in section 24.21, with the actual equal per capita cash calculation.

Clause 397 deals with the growth rate of the Canada social transfer. Paragraph 24.4(1)(a) of the Federal-Provincial Fiscal Arrangement Act sets out the calculation of the cash contribution for the Canadian social transfer.

•(1605)

The amendment simply removes the existing end date to the 3% growth rate, which previously read March 31, 2014, to make it

indefinite, as announced in December 2011 and confirmed in budget 2012.

Clause 399 is the CHT transition protection. Section 24.701 sets out the authority for and the calculation of transition protection payments. The amendment adds a new subsection, 24.701(1.1), to set out the calculation of payments to protect provinces against the decline in the Canada health transfer cash allocations from their 2013-14 levels. This is the protection for the transition to an equal per capita cash allocation in 2014-15, as confirmed in budget 2012. For the purpose of determining protection amounts to provide to provinces and territories, the clause sets the protection floor to the second official estimate of the 2013-14 provincial-territorial allocations of the Canada health transfer. This estimate is to be calculated in September or October of 2013. It is the last official estimate for the 2013-14 payments before the first official estimate for the 2014-15 allocations and protection payments is calculated in December 2013.

So the idea is that this is the last known amount for the Canada health transfer amount paid to any province or territory prior to entering into the equal per capita cash arrangement. This way you know prior to entering into it what that floor protection is going to be. This provides for a stable and predictable floor protection to provinces and territories.

The various consequential housekeeping amendments to the rest of the Federal-Provincial Fiscal Arrangements Act and the Canada Health Act, I'm going to deal with in thematic bundles, the ones that fit together. I'm going to start with clauses 391, 404, and 406. The reason I'm identifying these is that they are the clauses that repeal the spent provisions referring to the Canada health and social transfer. The Canada health and social transfer—known as the CHST—was replaced by the separate Canada health transfer and the Canada social transfer in 2004-05. All the payments from the Canada health and social transfer have now been finalized so this provision may now be repealed.

Clause 391 refers to part V, which set out the purposes, calculations, and payment mechanisms for the Canada health and social transfer. It is being repealed.

For clause 404, we go first to section 25.7, which sets out how references in other acts would be made to the Canada health and social transfer and how they're to be read. The amendment changes the rules so that those references today are read as references to the Canada health transfer and the Canada social transfer.

Clause 406 sets out regulation-making powers under the Federal-Provincial Fiscal Arrangements Act. There is a reference to part V, the Canada health and social transfer, so it is being removed.

The second bundle of related clauses are clauses 407, 408, 409, and 410. This bundle of clauses corrects references to the Canada health and social transfer in the Canada Health Act. I want to be clear that nothing about the operation of the Canada Health Act is changing—we're merely updating the references within the Canada Health Act to the appropriate transfer.

Clause 407 refers to section 2 of the Canada Health Act. This is the section that provides definitions. In the definition of a cash contribution, there's reference to the Canada health and social transfer. This is being amended to refer to the Canada health transfer. Further, there are references to sections of the Federal-Provincial Fiscal Arrangements Act. These reference sections that refer to the Canada health and social transfer. They are being amended to refer to the relevant provisions of the Canada health transfer in sections 24.2 and 24.21 of the Federal-Provincial Fiscal Arrangements Act.

I'll deal with 408, 409, and 410 very quickly. It's the same sort of thing. These amendments change references in sections 5, 13, and 22 of the Canada Health Act. All references to Canada health and social transfer now read Canada health transfer.

The third bundle of related clauses has to do with clauses 392, 398, and 400. These are repealing spent provisions references to the health reform transfer and the early learning and child care transfer.

- (1610)

Clause 392 is a header, so it's the heading of part V.1 of the Federal-Provincial Fiscal Arrangements Act, and contains reference to the health reform transfer and the early learning and child care transfer. They're simply being removed.

In clause 398, the old section 24.6 of the Federal-Provincial Fiscal Arrangements Act set out the purpose and calculations of the health reform transfer, and this is being repealed.

Clause 400 refers to section 24.71 of the Federal-Provincial Fiscal Arrangements Act, and it sets out the purpose and calculations of the early learning and child care transfer, which is also being repealed.

The fourth bundle of clauses—clauses 396, 401, 402, and 403—all refer to the eligibility requirements for the Canada health transfer and the Canada social transfers. I'm talking about the conditionality or the withholding that can be applied. I'm actually going to deal with clause 396 last, and hopefully you'll see why.

Clauses 401, 402, and 403 make reference to sections 24.9 through to 25.5 of the Federal-Provincial Fiscal Arrangements Act. Clauses 401 and 402 remove a reference to section 24.63, which is referring to the health reform transfer, which, as previously described, is being repealed.

Clauses 401, 402, and 403 all add references to section 24.51. The reason we do this is that this is the clause that defines the Canada social transfer allocation for the years after 2006-07, and we're adding that to every occurrence of section 24.5, which defined the Canada social transfer allocation for the years up to 2006-07. So all we're ensuring is that we have covered all the allocations through time, and the withholding provisions apply appropriately.

Clause 401 is the same sort of idea, except for the Canada health transfer, so we are adding references to section 24.21, which defines the Canada health transfer allocation for the years after 2014-15, to every occurrence of section 24.2, which defined it before 2014-15. So, again, that is making sure that the withholding provisions apply to all allocations through time.

Subclause 402.(2) repeals subsection 25.1(2). Here is just a bit of backup. Sections 25.1 and 25.3 pertain to the prohibition of a

minimum residency period for social assistance. This should be only linked to the Canada social transfer and not the Canada health transfer, so we're straightening that. Subsection 25.1(2) describes the exception to the minimum residency requirement for provincial health plans. Because we are ensuring that minimum residency requirement applies as withholding condition only against the Canada social transfer, and that all the five principles of the Canada Health Act and extra-billing and user fees apply only to the Canada health transfer, with this provision that referred to the minimum residency requirement and then set out an exception for provincial health insurance plans, because we have divided it and set the withholding to the appropriate transfer, we don't have to be worried about a conjunction of the two. So we don't have to worry about, for greater certainty, ensuring that there's no catching in the Canada social transfer of something that was intended and provided for in the Canada Health Act. So all we're doing is removing an extraneous 25.1(2).

The reason, therefore, that I'm doing clause 396 at the end is that, for drafting purposes—this is all this is—once you've removed.... If you have subsections 25.1(1) and 25.1(2), if you remove subsection 25.1(2), you don't need the subsections, so we just replace it with a section 25.1. It's just straightforward, technical.

The final clause, alternative payments for standing programs, is another clause about which I want to, at the outset, make very clear that nothing is changing. What we are doing is clarifying the legislation to ensure that it actually parallels current practice.

So part VI of the Federal-Provincial Fiscal Arrangements Act, sections 26 through 30, pertain to the alternative payments for standing programs, which represents a recovery from Quebec of a tax point transfer that was instituted in the 1960s. These amendments don't change the calculation.

- (1615)

The existing section 28 sets out an adjustment methodology that compares the value of the additional tax abatement of 13.5% to Quebec and the value of the contribution for social programs under part V of the Federal-Provincial Fiscal Arrangements Act, which is repealed. It authorizes payment to or recovery from a province for the difference. We are amending this section to confirm that the province is to receive payments for the Canada health transfer, the Canada social transfer, and other social programs and to clarify that the amount of the additional tax abatement must be recovered from the province from any payment under the act. So we pay and we net out the value of the tax abatement.

The existing section 29 states that the Government of Canada has no obligation, except as provided in this part, to finance social programs under part V of the act. We're repealing this to confirm that the amounts for the Canada health transfer and the Canada social transfer and other social programs shall be paid, which we do. This reflects what actually happens.

Proposed sections 29 and 29.1 are being added because we made the change earlier to provide that we're making a payment and then a recovery against it. This is where we introduce the two clauses that allow for under- and over-recoveries.

Section 30 authorizes amounts payable under the part to be paid by the minister out of the consolidated revenue fund. It modifies the section to refer to the whole of part VI, instead of referring only to section 28, which it did before.

That concludes my overview of the contents of this division. I'd be pleased to take questions.

**The Chair:** Thank you very much, Mr. MacDonald. That's very thorough. I'm sure that answered all the questions the committee had.

I have Ms. Nash to start, please.

•(1620)

**Ms. Peggy Nash (Parkdale—High Park, NDP):** I have a few extra questions.

I want to ask specifically about the health transfer. Is research being done to show the impact, province by province, of changing the amount of the health transfer, and what the difference in the amounts will be ultimately or what impact this new formula will have?

**Mr. Daniel MacDonald:** The changes in this bill are to provide clarity and certainty to provinces with regard to what's happening after 2013-14. In the act as it reads now, there is no transfer after 2013-14. These changes provide for the future growth of the transfer. The press release that was put out in December 2011 referred to \$38 billion by 2018-19. That's a minimum, if you use the 3% floor as you're going out past the end of the 6%. Those are the figures that represent the impact of this change.

**Ms. Peggy Nash:** I'm just trying to find out what the financial impact will be. If you're putting out a different approach to the funding, I'm sure somebody has run the numbers to project what the likely costs will be to the provinces and what this funding formula will mean in terms of addressing those costs.

**Mr. Daniel MacDonald:** Any projection as to the costs is going to rely on data that we don't have right now. It's going to involve projections of whatever our gross domestic product will be at that time.

**Ms. Peggy Nash:** So the projected formula is not based on projected costs?

**Mr. Daniel MacDonald:** The formula is an extension of the 6% for three years, and after that it's drawn from a parallel. As I mentioned, the GDP approach is drawn from the equalization formula, so you have a parallel to treatment in other transfer programs.

**Ms. Peggy Nash:** Do you have any sense of what the per capita impact of the change might be? Are there some provinces that are going to have a differential impact compared to some other provinces?

**Mr. Daniel MacDonald:** That will depend. You have a couple of variables in there. You have what the population of the province is going to be in whatever particular year you're examining. As well, past the date when the GDP floor takes effect, what is the GDP? We

know we have a minimum of 3%. Beyond that it would be a projection.

**Ms. Peggy Nash:** Do you see demographics for provinces playing a role beyond GDP in terms of the age of the population or the influx of immigrants into the province? Are there any demographic factors that could have a differential impact on this particular formula and the funding that would result from it?

**Mr. Daniel MacDonald:** I would simply mention that provinces and territories have the authority to administer their health systems. This provides a certainty as to what the federal funding contribution will be beyond 2013-14, and that enables and supports them to take decisions as to how various factors that influence different provinces would apply.

**Ms. Peggy Nash:** If there is a province where the population is aging and there are fewer young people coming into the province, what would be the impact of these changes on a province like that?

**Mr. Daniel MacDonald:** If you look solely at demographics.... I think you're referring to the Canadian Institute for Health Information, which has put out, for example, various cost profiles by age, which demonstrate that health costs do vary by age.

•(1625)

**Ms. Peggy Nash:** They increase, most likely.

**Mr. Daniel MacDonald:** You have younger people and older people.

That's going to be one factor the provinces and territories are going to take into account as they allocate their funding to administer their health systems.

**The Chair:** We can come back.

I have Mr. Jean.

**Mr. Brian Jean:** Yes, thank you very much.

Thank you for a very thorough presentation indeed.

Further to what Ms. Nash was asking, has the formula itself on transfers ever taken into consideration the demographics or particular trends of demographics in the country? Has it always been the same way as it is today?

**Mr. Daniel MacDonald:** For example, the formula now is an equal per capita cash and tax allocation. We're going to be moving to an equal per capita cash allocation, so it's always been—

**Mr. Brian Jean:** I understand, but demographics has always been considered the same way in the formula as it is today. Is that fair to say?

**Mr. Daniel MacDonald:** Yes.

**Mr. Brian Jean:** Also, you said that the money was paid based upon projected growth of GDP. That's part of the formula.

Is there ever a proper accounting based on the actual growth of GDP, or is all the payment made on the projected growth?

**Mr. Daniel MacDonald:** It's all on the projected growth, because you're determining a payment for a province for that year. So you're using the data that you have for the year that you're paying, and the two prior years, which is going to contain a mix of Statistics Canada data and forecast data.

**Mr. Brian Jean:** I understand that. But is there ever a proper accounting based on what actually happens in future years? We're paying and paying and paying to the provinces every year, and it's a different amount based on projections of GDP and real growth in the economy or whatever. We get the figures a year later. Is there ever an accounting done with each province, based upon what actually takes place?

**Mr. Daniel MacDonald:** No. For certainty to the provinces and territories for their budgeting, we leave the amount that's been allocated to them.

**Mr. Brian Jean:** Even though it's allocated based upon nothing more than a projection?

**Mr. Daniel MacDonald:** Your total envelope is going to be allocated on the growth in GDP. That's going to set the envelope that's allocated across.

**Mr. Brian Jean:** I understand that it's not based on actual numbers.

**Mr. Daniel MacDonald:** And for the estimates that are currently used to allocate where the population is, we'll continue to follow a cycle that we do now. So they are updated afterwards.

**Mr. Brian Jean:** Is a proper accounting done at that stage, once they're updated?

**Mr. Daniel MacDonald:** We have a regular estimates cycle for the allocation on the transfer now, and we'll continue to do so in the future, which reviews the calculation of the years to follow.

**Mr. Brian Jean:** But it only makes adjustments for projected. It doesn't actually claw back any money or adjust the money based upon what actually takes place as far as the GDP growth or—

**Mr. Daniel MacDonald:** On the GDP, no.

**Mr. Brian Jean:** Interesting.

So in essence, if you're off by one-tenth of 1% on a projection, and the actual is much different, the province may actually receive much less or substantially more than what they actually should be entitled to, based upon the formula if it were based on actual and not projected.

**Mr. Daniel MacDonald:** You're going to catch a lot of that. You're talking about a three-year moving average, so you have a window that's moving through. So you're going to have common data points that are updated for the following year's allocation, or your following year's growth.

**Mr. Brian Jean:** I understand, and I don't want to belabour the point, but it seems to me that it could be adjusted subsequently to actually reflect what takes place, and what the costs of each province are.

For instance, in my particular community I've had 8% growth year over year, and yet Statistics Canada continually lowballs the number of residents in my community by a substantial number—I mean, 20% or 25%. As a result of those projections, my province, along with other provinces—for instance, Saskatchewan—may not actually receive what they're entitled to, based upon projections rather than actual figures.

**Mr. Daniel MacDonald:** The information that's used to calculate the allocation, which includes population and under the current

formula includes tax data, is updated through the regular estimates process, and that follows some time afterwards.

**Mr. Brian Jean:** Yes, but it always deals with projections, not actuals.

**Mr. Daniel MacDonald:** When you're making a calculation for... The challenge we're faced with is that we're trying to project for a year that's coming—what it is for provincial budgeting purposes.

**Mr. Brian Jean:** I don't think I have any problem with the method you use for projections. I have no problem with that, and I think you understand clearly what I'm driving at.

• (1630)

**Mr. Daniel MacDonald:** Yes.

**Mr. Brian Jean:** I have no problem with what you do that way, but based on the actuals that take place, I think it would change. But that is something I'll look into.

Thank you very much.

**The Chair:** Thank you, Mr. Jean.

We'll go to Mr. Brison.

**Hon. Scott Brison:** Thank you, Mr. Chair. I have a couple of questions.

Ms. Nash raised the demographic issue, which is more of an issue now than it was 15 years ago, as an example, with the baby boom generation but also with migration within the country. There are provinces, for instance in the Maritimes, in which we're seeing an aging population with a lot of young people leaving for opportunities elsewhere.

Have there been some discussions and consideration of adjusting the transfer formula to reflect what is more of a trend today, in terms of demographic shift, than it would have been ten years ago, when we had the last negotiation of the health care accord? We were actually negotiating ten years ago the 2004 accord; the process of negotiation had been an ongoing one. Has there been some consideration of it? Is that part of the current discussion with provinces?

**Mr. Daniel MacDonald:** The minister's announcement in December 2011 confirmed what the future transfer arrangements are going to be. It has been determined that it will be on an equal per capita basis for the Canada health transfer past 2014-15 and that the growth rates will be as set out.

**Hon. Scott Brison:** Yes, and of course there were no discussions with the provinces during which the provinces might have expressed some concern about that.

Will the extension of the CHT escalator be applied to the 2014 base CHT, or will it be the 2014 base CHT amount plus the funding included for wait times reduction and medical equipment, which was part of the 2004 ten-year accord?

**Mr. Daniel MacDonald:** It's the CHT.

**Hon. Scott Brison:** Why would it not also include the funding included for wait times reduction and medical equipment that's part of the original accord?

**Mr. Daniel MacDonald:** Those were specific initiatives that were undertaken as part of the 2004 accord. Any decision about that hasn't been taken.

**Hon. Scott Brison:** Hmm.

That's all I have right now, Mr. Chair.

**The Chair:** Thank you.

I want to clarify a couple of points. The demographic issue is obviously one the government has focused on in many ways, but the per capita cash allocation is in response to a lot of provinces saying that they're not getting their fair share in terms of transfers to the provinces. If you allocated provincial transfers for health care based on demographic issues, you would actually move away from equal per capita cash transfers to the provinces.

I'll give you an example. The province of Saskatchewan, where you have a younger population perhaps, would not be getting equal per capita cash transfers if you took demographic considerations into account.

Am I correct in that?

**Mr. Daniel MacDonald:** You're correct, in that if you weight any population count by any factor, it will be different from equal per capita, yes.

**The Chair:** So if we choose to include demographic factors in the way we as a federal government transfer health, we would be moving away from an equal per capita cash transfer. That's the implication of doing that.

**Mr. Daniel MacDonald:** You would be getting away from a system in which relativities.... We have an equalization program that measures fiscal disparities between provinces. You would be putting in another allocation method, yes.

As I said, if you took any factor and applied it to raw population count, you would get a different allocation, whatever the factor was that you chose.

**The Chair:** So the finance equalization program addresses some other challenges provinces might have in terms of revenues—

•(1635)

**Mr. Daniel MacDonald:** That's right.

**The Chair:** —and in terms of health.

The simplest way of transferring from the federal government to the provinces is to base it on the number of Canadians who live in that province on an annual basis.

**Mr. Daniel MacDonald:** The purpose of the Canada health transfer is to be a contribution towards the financing of public health systems, but within the provinces. That's why the withholding provisions of the Canada Health Act are applied to it: that's its purpose.

**The Chair:** The second thing is, could you clarify the moving average of nominal GDP? From one of the conversations, I think this may be an issue. Perhaps you could clarify it for the committee. I think I have a fairly good understanding of it, but I wonder whether you would clarify it for us.

**Mr. Daniel MacDonald:** Do you mean in terms of what the three-year moving average is?

**The Chair:** Yes.

**Mr. Daniel MacDonald:** The three-year moving average that's going to be taken will be for the year for which you are estimating a payment and the two prior years. Of course, you're not going to have actual data for all of that.

**The Chair:** And the two prior years take prior years into account as well?

**Mr. Daniel MacDonald:** That's right. You have a three-year moving average, so some of your data points are going to be common as you move three times. You will have an updating of the data as you go.

**The Chair:** Okay. I appreciate those clarifications.

Monsieur Caron.

[*Translation*]

**Mr. Guy Caron:** Thank you.

The current figures, 6% over the next three years and 3% in subsequent years, are obviously the result of a government decision. In the past, however, the manner in which payments were established was generally determined following a federal-provincial health summit. Negotiations were conducted there and led to an agreement that might cover a number of years. Is that correct?

[*English*]

**Mr. Daniel MacDonald:** I'm not too aware of the deep history. I know that the 2004 accord was negotiated. I'm not familiar with all the history prior to that.

[*Translation*]

**Mr. Guy Caron:** I was there during the negotiations in 2004. I obviously didn't take part in them, but I was there in another capacity.

The objective of negotiations such as those of 2004 was to enable the provinces and territories—although we are talking about the provinces in this case—to meet to determine health care spending projections and to try to agree with the federal government on necessary funding, eventually with certain structural adjustments on their part to demands that would be made of their health budget.

I am simply trying to see how the Canada Health Transfer previously correlated with spending projections and whether we are currently straying from that objective or process.

[*English*]

**Mr. Daniel MacDonald:** In the press release of December 2011, there was a table that set out what the past growth rate in provincial and territorial health expenditures has been, and it contains a projection for going forward.

We now have most of the provincial and territorial budgets, which have indicated, I think it would be safe to say, that in most cases the provinces and territories are aware of the significance of health spending for their overall budget and budgeting and that most of them are putting plans in place to target lower growth rates.

[Translation]

**Mr. Guy Caron:** That's not really what I asked you, except for the end of your answer. I am talking about the Canada Health Transfer. Negotiations used to be held to try to determine projections. Various measures were negotiated to lower costs, structural measures that took future projections into consideration. The approach presented to us here does not take into account projected health spending. It imposes a minimum threshold in this area which could be beyond what the projections suggest for the next 6 to 10 years.

• (1640)

[English]

Is it a fair assessment?

**Mr. Daniel MacDonald:** I would simply say that I wouldn't know which data you're referring to that in the next three to six years would indicate a particular profile of future provincial and territorial health expenditures. We are aware of what provincial actions are from their budgets.

[Translation]

**Mr. Guy Caron:** We can extrapolate health care spending projections, based especially on the aging population and the data we have on spending for the past 10 or even 20 years. That will not necessarily be very different or considerably lower than what we have seen to date.

Excluding the three territories, we see that the lowest annual spending growth, by province, in the past 10 years, has been 6.1% and that the highest has been 10%. The parliamentary budget officer is projecting average annual growth of 5.5% for the country as a whole, with variations, for the following 10 years, again based on the figures that we have.

[English]

**Mr. Daniel MacDonald:** I think the Parliamentary Budget Officer, for the purpose of the long-term projection and for the purpose of presenting a scenario that was taken out over a very long period of time, took an average of expenditures and I think indicated that that's what he was doing and it was getting paired against a particular assumption for GDP.

With respect to extrapolation of past provincial and territorial spending growth figures into the future, and the range that you suggested, I have information here from Prince Edward Island indicating that they will cap health care spending growth at 3.5% in subsequent years. Quebec is indicating a target of no more than 5% annually. Ontario is targeting an average of reduced health-spending growth of 2.1% annually over the next three years. Saskatchewan and British Columbia have also indicated very clear targets.

My intention in reciting that is simply to show there is a realization by provinces and territories, they've known this, that they have to take actions, and they are. So extrapolating past behaviour to the future, I think what we're seeing from provincial and territorial budgets is that in fact there is a change.

**The Chair:** Merci.

We'll go to Ms. Glover, please.

**Mrs. Shelly Glover:** Thank you, Mr. Chair.

I want to thank the witness for his candid responses.

I want to make it clear that given this formula, it's very clear to me and to most Canadians that there will be increases for the next five years of 6%, and thereafter a minimum increase of 3% for the Canadian health transfer for many years to come. Increase means increase means increase. I want to make that clear. For whatever reason, some people don't understand that an increase is more, it's not less.

Having said that, you made a very good point about budgets that have been projected by the provinces. What is really surprising to me is that as the federal government gives a contribution toward health care—because it is, as you said, simply a contribution—of 6% every year as an increase, the provinces' own budgets show they are not spending 6% more. You went over a number of numbers—two point something, three point something.... So in fact the average of provinces, when you look at all of their budgets, is a 3.8% increase, and the federal government is giving them 6% over the next five years.

Am I accurate with that number—it's an average of about 3.8% that they're projecting to spend?

**Mr. Daniel MacDonald:** That is correct. That's the average we've taken from the budgets that are in so far.

**Mrs. Shelly Glover:** Thank you.

In essence, the federal government is being quite generous in moving towards 6% predictable, stable funding so the provinces can plan ahead. And as we've indicated, their own budgets say they're not spending 6% anyway. But we're going to increase it anyway. We're going to make sure there's a floor of 3% after the next five years, which to me is a good plan.

I have a family, five children. I know when I have to spend money on certain things, I cannot spend more than I actually make. I can't earn \$1,000 a month and spend \$1,500 a month. So taxpayers also are cognizant that they pay every dime that the government pays out. It is taxpayers' money that gets paid out. It's not some government bottomless pit.

So when taxpayers are able to afford to pay more, they will pay more, because not only is there a 3% floor, it's going to go according to growth of economy. That would mean there is potential in the future, even with that floor of 3%, for taxpayers to actually even be paying more than 3% if the economy grows more than 3%.

Am I accurate in that?

• (1645)

**Mr. Daniel MacDonald:** If the three-year moving average of GDP fails to attain the 3% floor, it will be 3%, yes.

**Mrs. Shelly Glover:** If it is more, if the economy actually grows more than the 3%, let's say it grows 6% in that year, how much will the Canada health transfer be?

**Mr. Daniel MacDonald:** It depends on your three-year moving average, but it would be more than 3%.

**Mrs. Shelly Glover:** Correct. So it's a very generous formula that provides some predictability.

I want to share with you and get your comments on something that's happening in my riding. I have St. Boniface Hospital in my riding, and I'm very proud of some of the measures they've taken. They realize there's waste in the health care system and they're trying to address it. They have a program called Lean.

I went to observe what they're doing with this program called Lean. Things as basic as the nurses having to drag around the cuff and the thermometer on a cart from room to room was causing them a lot of delays. Time was spent looking for the cart to help patients and to do their jobs. So doing simple things like putting that equipment on a wall in every room makes it more efficient.

Hospitals across the country are actually looking to St. Boniface Hospital to learn how to do these very basic common-sense measures to increase efficiency, which essentially also saves money and reduces waste within the health care system. I mention that in my effort to also say that the provinces have a responsibility here as well to look for those inefficiencies and to move towards having a health care system that operates in an effective manner.

I know I can't ask you for your opinion on that, but have you heard of this program?

**The Chair:** Just a brief response.

**Mr. Daniel MacDonald:** I had not heard of that program, no.

**Mrs. Shelly Glover:** Thank you.

**The Chair:** Okay, thank you, Ms. Glover.

We go now to Ms. Nash, please.

**Ms. Peggy Nash:** Thank you very much.

First of all, I have a question about process, which you may or may not be able to answer.

When the government brought in this new formula, the provinces were surprised, and I'm wondering why they were left out of the consultations. It was imposed on them, as opposed to bringing them into the conversation. Do you have any background on why that was done?

**Mr. Daniel MacDonald:** I don't think I have any comment on that.

**Ms. Peggy Nash:** This change of formula is different from the old formula that the federal government has used. How much money is it going to save the federal government throughout the period of the projections that you have calculated? Do you have any background on that?

**Mr. Daniel MacDonald:** First of all, with respect to savings over a period, I repeat that the legislation expired at the end of 2013-14, so what the measure has done is define what the growth of the transfer following 2013-14 will be. So the figures that have been set out are the total spending that will be put to the Canada health transfer.

**Ms. Peggy Nash:** Right, but my question is that if the formula had not been changed and had stayed the same, how much more would the government have spent on health care?

**Mr. Daniel MacDonald:** Given that this is dependent on what future GDP growth would be, I don't have figures of that nature.

**Ms. Peggy Nash:** Well, you must have some calculation of what this change would bring or surely the government wouldn't have changed it.

There was an existing formula, and the government has made a change to the formula, which will require a lower percentage of spending than what the government would have spent with the old formula. Have I got that right?

You're nodding...sort of.

• (1650)

**Mr. Daniel MacDonald:** The old formula was a 6% escalator through the period up to 2014.

**Ms. Peggy Nash:** And this new formula is not. So if the new formula of the 6% escalator every year had been maintained, versus the new formula, what is the difference in that amount?

**Mr. Daniel MacDonald:** I don't have a figure for what the difference in the amount of various scenarios would be. I know that there have been various scenarios put out about what that amount might be or could be. That's not...as I said, what we have done is in this bill set out what the growth of the transfer will be after 2013-14.

In terms of the measure, the new formula, as I said, it's another parameter that's familiar from federal-provincial transfers in the three-year moving average of nominal GDP, which has been what is a reflection of the federal government's capacity to pay.

**Ms. Peggy Nash:** Can you provide this committee with background research that you may have conducted in order to determine what this formula would be and why the change of formula? There must have been some research work that was prepared to help the government make this change. Is that available? Can you make that available to this committee?

**Mr. Daniel MacDonald:** I'm not certain there's anything available that's not subject to cabinet confidence—

**Ms. Peggy Nash:** Can you check that out and let us know?

**Mr. Daniel MacDonald:** —but I can take that under advisement.

**Ms. Peggy Nash:** Okay.

That's it.

**The Chair:** Thank you, Ms. Nash.

Mr. Jean, please.

**Mr. Brian Jean:** Mr. MacDonald, if you ever come up with the number that this would be projected to be, based on the formula itself and forecasting GDP, which in my mind would be, quite frankly, near impossible, I would really like to partner up in the stock exchange with you, because it would sound like you'd be able to project figures that are, quite frankly, contingent completely on the GDP growth.

I did want to clarify, I think, on what Ms. Glover had said earlier, which is that I think only one province, and that being the Province of Alberta, has estimated an actual increase in health care spending at about 7% or 7.2%. Out of all the provinces, it's the only one that's gone actually above and beyond the transfer of 6% increase.

Is that fair to say? Isn't Alberta the only one that's actually more than the federal government has promised?

**Mr. Daniel MacDonald:** Yes.

**Mr. Brian Jean:** And is there in fact one province that, if I remember correctly from reading it some time ago, has actually projected a decline in spending?

**Mr. Daniel MacDonald:** I don't have a record of the decline figures here for 2012-13—

**Mr. Brian Jean:** I thought it was around 2.1% or 1.8%.

I thought it was one of the Atlantic provinces, actually.

**Mr. Daniel MacDonald:** You might be referring to New Brunswick in the 2011-12 year.

**Mr. Brian Jean:** Yes.

Actually, the increase to 6% is quite a dramatic increase compared to the provinces and what they project.

Now, could you table the chart for provincial budget estimates for health care expenditures and the increased estimate that they put? Could you table that to the committee for us?

**Mr. Daniel MacDonald:** From provincial budgets?

**Mr. Brian Jean:** Not the budgets themselves—

**Mr. Daniel MacDonald:** No, no, just the collation.

**Mr. Brian Jean:** —but the projected increase of health care spending.

Finally, is it fair to say...? I mean, I've had an opportunity to ask questions of the PBO officer in relation to this. Isn't it true that when he was doing his projections on estimated health care increases, he didn't look at any of the provincial budgets at all, so his projections were based on trends rather than on actuals?

**Mr. Daniel MacDonald:** Given the timing of when he did the report, if my memory serves, I don't believe he would have had access.

**Mr. Brian Jean:** I'm sorry...?

**Mr. Daniel MacDonald:** If memory serves, I don't think he would have had access to that prior to the budget season.

• (1655)

**Mr. Brian Jean:** Yes, exactly, because many of the budgets weren't out yet. In fact his estimates were based on trends rather than actual projected budgets of the provinces, so they wouldn't be accurate.

**Mr. Daniel MacDonald:** That's right.

**Mr. Brian Jean:** I think that's my only other question.

Thank you very much.

**The Chair:** Thank you.

Monsieur Caron.

[Translation]

**Mr. Guy Caron:** Thank you very much.

I am fascinated by this series of questions. So I'm going to continue in the same vein.

A few provinces have put limits on their health spending. Did the provinces impose those limits on themselves before or after the federal government's announcement that it would limit transfers to 6% for three years and 3% after that?

[English]

**Mr. Daniel MacDonald:** The provinces all issued their budgets early this calendar year. The announcement was made in December 2011.

[Translation]

**Mr. Guy Caron:** So the federal government's announcement was made before the provinces decided to set their own ceilings locally.

[English]

**Mr. Daniel MacDonald:** That's in reference to the 2012-13 budget cycle. However, provinces have been taking steps in this area. For at least the last couple of budget cycles, that I'm aware of, there have been initiatives put in. I don't have a table that documents those, but off the top of my head I know that Ontario and Quebec made reference in their 2010 budgets about the magnitude of health spending as a proportion of the total, and they were making measures at that time.

The reason I point that out is because the projection that was included in the press release in December 2011, which was based on CIHI data, shows the impact of those measures in a lower projected...I believe it was 3.2%.

[Translation]

**Mr. Guy Caron:** I understand what you are telling me. I know that the provinces are also aware of the high costs of health, which are growing far faster than GDP in general. The fact nevertheless remains that, even though the provinces acknowledged the need to cut their spending, they did not think to make such deep cuts to their budgets. We are talking about quite significant structural changes for them to be able to reduce their health spending. Their reaction in setting a ceiling came after the federal government's decision to limit transfer increases to 6%, and to 3% thereafter. The provinces adjusted. The federal government didn't adjust to the provinces. It was the reverse. The provinces adjusted to the federal government's decision. Chronologically speaking, it seems to me the relationship is clear.

[English]

**Mr. Daniel MacDonald:** Well, yes. Chronologically there were provincial budgets that contained measures in the health care field.

[Translation]

**Mr. Guy Caron:** I want to get to that aspect. If it had been easy for the provinces to reduce health spending by establishing a ceiling, they would already have done that. However, there are costs associated with that in terms of services offered. I find it hard to understand how a province like Quebec, for example, can significantly reduce its spending without services suffering in one way or another. We can say that it cut growth in its health spending by half. However, whether it be the number of guaranteed services or the budgets allocated to the hospitals or other institutions, costs will be associated with that, in the form of financial costs or lesser coverage offered by the provincial system.

[English]

**Mr. Daniel MacDonald:** The result of this bill is to put in legislation the growth and the continued growing federal contribution in health to the provinces and territories. It's using a formula that, as the minister stated, is the best measure of government revenues so it represents a sustainable formula for the federal government.

[Translation]

**Mr. Guy Caron:** The government's measure takes into account the government's capacity to pay, but not necessarily the needs of the provinces to maintain the same level of service or funding for their hospitals as was previously the case. The provinces have to adjust.

In 2004, and before that, when there were negotiations, the projected costs to offer the same services, taking into account those frightening costs, were considered. That is no longer the case in this budget. We are looking at the budgetary aspect related to GDP; that's it. The provinces have to adjust accordingly.

• (1700)

[English]

**The Chair:** Just give us a brief response, please.

**Mr. Daniel MacDonald:** I would simply add that what the announcement has done and what the formula will do is provide certainty about the federal contribution for the long term.

**The Chair:** I'm going to attempt to clarify this again, because it is a question of whether provinces are adjusting based on what the federal government has done

Mr. MacDonald, when you talked about provincial increases in their health care budget, you had a number of figures. Can you just read those again for the committee?

**Mr. Daniel MacDonald:** This is a series of figures from various budgets where specific spending targets were identified in the area of health care—not all provinces identified a specific target.

Prince Edward Island, in the 2012-13 budget, indicated that they'll cap health care spending at 3.5% in subsequent years. Nova Scotia, though it didn't provide a specific restraint target, did indicate that it has reduced health care administration costs to below the national average and has cut the rate of growth of health spending. New Brunswick said in their 2012-13 budget that health spending is projected to grow by just 3%, and can be managed to further reduce growth while focusing on priority improvements financed within the current system. Quebec, in budget 2010-11, shows a health care funding growth target of no more than 5% annually, and this was reiterated in budget 2012-13. Ontario targets reduced health spending growth of 2.1% annually over the next three years. Manitoba indicated, although no specific target was identified, that they would manage spending in the health care system by increasing efficiencies and legislating a cap on administrative costs for regional health authorities. Saskatchewan targets a health care budget increase that is less than the increase in provincial revenue growth by March 31, 2017, based on a rolling five-year average. British Columbia provided no specific restraint target, but mentioned a 3% average annual growth in health care spending.

That would be the sum of it.

**The Chair:** I appreciate that very much. You have 3.5%, 3%, 5% in Quebec, 2.1% Ontario. The health accord agreement expires in 2014, but what we're doing is increasing by 6% in 2014-15, 2015-16, and 2016-17. We're increasing by 6% until 2017, and provinces are capping at 2% over the next three years. I don't quite understand that argument. Then in 2017-18, it's a moving average of nominal gross domestic product.

I want to clarify this—I think this is important for the committee. It is 6% until 2017, according to the budget and this legislation, and provinces can plan on this until 2017. You've correctly indicated that none of the provinces are spending up to that 6% year-over-year increase. I appreciate that clarification.

We'll go to Mr. Marston, and then Mr. Brison.

**Mr. Wayne Marston (Hamilton East—Stoney Creek, NDP):** I think it's fair to say that a large chunk of the government costs are with the OAS and the transfer. At this point, the word would be that the federal government is seeking to stabilize the liabilities, especially after 2017, with this new model. I'm not going to critique that part of it. But I would think if that's the case, based on a reasonable increase to gross domestic product, there would be some pressure taken off the federal government in the area of the transfer.

Would you agree with that?

• (1705)

**Mr. Daniel MacDonald:** Sorry, can you repeat the last part of that question for me, please?

**Mr. Wayne Marston:** As we go forward, year to year, there are generally increases to the gross domestic product that are projectionable. At some point it's 2%, other times it's 3%, and other times it's even down to 1%. There's a flow of that and there's growth to the government over a period of time. So if you have a change where they're no longer giving the 6%—and I understand that—from that time forward in particular, would you say that some of the pressure has been taken off the liability, for lack of a better word, of the government?

**Mr. Daniel MacDonald:** As I said before, as the minister stated, it indicates this is a level that reflects taxpayers' ability to pay.

**Mr. Wayne Marston:** I don't dispute that.

What I'm really saying is that the relationship between the dollars coming in, generally speaking, and the costs going out will be stabilized because it will be linked to the GDP average. So at that point, instead of 6% they could conceivably have 2.5% that they're giving from that time forward. Would that be a reasonable assumption?

**Mr. Daniel MacDonald:** It depends on the—

**Mr. Wayne Marston:** Of course it depends on factors.

**Mr. Daniel MacDonald:**—numbers relative to the fixed point as a percentage.

**Mr. Wayne Marston:** I'm only using that as a hypothetical example.

At that point there's then a saving to the government of 3%, or approximately that. Would that be a reasonable assumption?

**Mr. Daniel MacDonald:** In this specific case—

**Mr. Wayne Marston:** Relative to today.

**Mr. Daniel MacDonald:** —it would, yes.

**Mr. Wayne Marston:** This kind of strays, Mr. Chair, a little bit.

From my perspective, we know from a second report released by the PBO today that they're saying that he believes OAS is sustainable, principally because of the changes to the transfer. As I've said, some of the pressure is taken off here to allow for some of the pressure.

Would that be a fair statement?

**Mr. Daniel MacDonald:** I haven't had the luxury of reviewing the report, but—

**Mr. Wayne Marston:** I'm not trying to put you on the spot.

Mr. Caron would like to take the rest of my time.

**The Chair:** Okay.

Two minutes.

[Translation]

**Mr. Guy Caron:** I believe I will be quicker than that.

I would like to go back to the list you just read about the ceilings the provinces are setting for the next fiscal year. Is that in fact province by province? Is that the list you just read? Are those estimates, projections?

[English]

**Mr. Daniel MacDonald:** Targets.

[Translation]

**Mr. Guy Caron:** Were those projections, those targets, known to the government when the decision to set a ceiling of 6% for three years and 3% for the following years was announced?

[English]

**Mr. Daniel MacDonald:** I can tell you that the actions that provinces took prior to December 2011 were known to the federal government, and we did have the—

[Translation]

**Mr. Guy Caron:** My question concerns the targets that the provinces have announced.

We know that the provinces are trying to lower their costs. However, I'm talking about the targets that the provinces have set for themselves. Was this list, which you just read, known to the government when it was announced that transfers would be limited to 6% for three years and subsequently to 3%?

[English]

**Mr. Daniel MacDonald:** Unfortunately, the list I have in front of me isn't comprehensive about the date on which we knew each individual one.

As you know, I'm looking at Quebec, which dates to 2011. I know we knew about that. I know we knew about Ontario. My memory doesn't serve which ones we also knew about. Most of the ones I read out are the latest we had.

[Translation]

**Mr. Guy Caron:** Thank you.

[English]

**The Chair:** Okay. Merci.

Do you want to start, Ms. McLeod?

**Mrs. Cathy McLeod:** Yes.

**The Chair:** For the Conservative round I'll go to Ms. McLeod first.

**Mrs. Cathy McLeod:** Thank you, Mr. Chair. I'll share this round.

I only have a brief statement. Again, having lived health care on the other side of the issue, I certainly remember the deputy ministers with the charts showing how health care was moving to 30%, to 40%, to 50% of the budget and onwards to 70%. I think every single province was very concerned with this trend and had done a very good job in terms of looking at how they were going to contain it.

I simply find it quite incredible for people to suggest that 6% increases are cuts. To me, that is pretty basic math in terms of 6% increases being increases. As our provinces have very clearly indicated, they have a desire and a necessity to look at how they're doing business, and there truly are options for the provinces. I think they're really tackling this challenge with all the dedication they can because they recognize it is an issue that needs tackling.

I guess I simply had to make a comment because it's something near and dear to my heart.

I'll turn the floor over to my colleague.

• (1710)

**The Chair:** Ms. Glover, please.

**Mrs. Shelly Glover:** Thank you, Mr. Chair.

I want to thank Ms. McLeod. She has a nursing background, so she really does have her heart in the subject.

I'd like to ask you to table something else, Mr. MacDonald. In answer to the several questions repeated by Mr. Caron about the 6%, we've already said that the table you're going to submit shows an average of 3.8% increases, not 6%, which is what the federal government's contribution is going up by. But just to alleviate his concerns, I'd ask you to table not just the averages, but the provinces' budgetary expenses for health care from the year before, because in that case, the average was 4.8%.

Reiterating what you said, Mr. MacDonald, the provinces had already started to make some changes on their own, recognizing they have a large jurisdictional responsibility to ensure health care is sustainable. They too have to make sure that taxpayers and the revenues that come from taxpayers ensure that all Canadians are eligible for what we think is very important: a provincially or a federally funded, publicly funded health care system.

So if you could table that other chart as well, perhaps that would alleviate Mr. Caron's concerns, and he would see very clearly that his position makes no sense.

Thanks.

**The Chair:** Okay.

Mr. Jean, do you have a quick question?

**Mr. Brian Jean:** I wanted to make note of what Mr. Marston said in relation to the PBO report. It is germane to the report that came out today, which did mention on page 3.... Of course the PBO is based on projections, and he said in this report the updated analysis indicated that as a result of the change to the Canada health transfer to grow in line with nominal GDP—which we projected as a government—then of course OAS may be sustainable. But he admits in the report itself that cost pressures are coming on OAS, and he also clarifies it by saying, and I quote: “However, the change to the federal CHT structure is mirrored at the provincial-territorial level. The provincial-territorial long-term fiscal situation has deteriorated.” As a result of that, and as a result frankly of the PBO doing projections and using projections instead of actuals, I quite frankly almost need an interpreter for the paragraph itself on where we are, and whether we're going or coming.

I wanted to make a point of that with Mr. Marston's comments earlier about OAS being sustainable.

**The Chair:** Okay. Thank you.

I have Mr. Brison next.

**Hon. Scott Brison:** Thank you.

I have a question and a comment. It has to do in part with some of the information you've brought to committee, Mr. MacDonald, and also some of what my colleague Mr. Jean has raised.

If you look at the provinces—and Mr. Jean referenced a 7% increase, I believe, in Alberta, and I think a 1% decrease, for instance, in New Brunswick, in round figures—what I find stark about that is that New Brunswick has an aging population. I think Alberta's population is probably getting younger as more young people are moving to Alberta, yet the cost of health care is increasing significantly. If Alberta can afford to do that, I think that's great, but it raises the issue of demographics that I mentioned earlier. Nova Scotia is an example of a province that's teetering on decline in population and certainly has an aging population. We have higher health care costs, and you would agree that the health care costs as people get older tend to increase.

• (1715)

**Mr. Daniel MacDonald:** Yes.

**Hon. Scott Brison:** And the tax base has fewer people working.

I'll go back to that question I posed earlier. Is there an initiative or study within Health Canada to evaluate these demographic factors and what their potential impact is or what the public policy response ought to be from a federal government?

**Mr. Daniel MacDonald:** I can't speak for the Department of Health on that particular matter.

**Hon. Scott Brison:** In terms of government, you've spoken to us on health care transfers. Is there some discussion within government on this?

**Mr. Daniel MacDonald:** In terms of the policy with respect to the CHT as it's expressed in the current arrangement, as was committed starting in 2007, was legislated within the Federal-Provincial Fiscal Arrangements Act, there are two steps: equal cash and tax support for health in all provinces and territories, and starting in 2014-15

equal per capita cash support to all Canadians, regardless of where they live.

**Hon. Scott Brison:** Sure, but—

**Mr. Daniel MacDonald:** That's what the bill reads.

**Hon. Scott Brison:** I'm comparing the government's approach, for instance, to the OAS, where ostensibly it's a demographic issue that is rendering OAS in its current form unsustainable, according to the government's arguments. We have a demographic-based sustainability issue, I would posit, in terms of health care. I'm just asking, is there some discussion within the machinery of government on how to address this?

This is a very significant issue. I'm certain that if the government were to sit down with the provinces and have this discussion it would be an important one. Again, all power to Alberta with the ability to have a 7% increase, but for some provinces, particularly those provinces with a declining or stagnant population growth, an aging population, and a resultant lower tax base and higher health care costs, the demographic issue is a very important part of the public policy dialogue we ought to be having.

I'm just asking the question, is there a discourse within government on this?

**Mr. Daniel MacDonald:** I think you mentioned.... There was a point I wanted to make earlier about something like demographic change, and a number of things associated with it, which will have different impacts. There's also to be considered the overall transfer package, if you will, the different transfer tools that the federal government has.

You mentioned that another consequence of population aging is the working age, and then into retirement, and the effect that has on the fiscal capacity of a province to raise revenues from that population, for example. You were talking about issues there that are dealt with by the equalization program already. That's the program that deals with fiscal disparities from a number of causes between provinces.

I just point out that there are various tools that the federal government has for addressing various things, and that's one of those effects that would already be captured.

**The Chair:** Okay, thank you.

[*Translation*]

Mr. Caron, you have the floor.

**Mr. Guy Caron:** If people can make comments, I would like to make one as well.

[*English*]

I don't think there is anyone here denying the fact that the provinces are facing the brunt of a very high part of their budget going to health care. That's a given, and we understand that. We understand the need for restructuring health care as well. That effort is actually not something you can do with a snap of your fingers, saying we're just going to set ceilings. It's a major effort of restructuring, of redoing ways, of rethinking the ways we've been delivering health care in the provinces. The question is, how are we going to do it?

Before the idea was to actually have the federal government working with the provinces to actually try to achieve this change in mind frame, the change in the way of seeing things, and trying to find outside-the-box solutions to actually do it. By saying that we're going to set ceilings, without looking at the way the ceilings will be respected, is actually a problem. Because in the end, the cost of saving money will actually be depriving the system and the citizens of services that they have been receiving.

That's why I was asking the questions about when the decision was made and how the provinces reacted. My point is that the provinces reacted to the decision of the federal government to set that cap. Now they might very well be achieving it, and that's good.

In response to Ms. Glover and the request, I'd like to see that, actually. In the last five or six years.... But the money is not the only thing. If you can actually table this document, I'd like to know how the provinces were able to achieve it. What decisions did they make to do it?

There are some good initiatives that we can fully support, like the one in your hospital, for example. There are some other savings that are achieved by delisting and by basically cutting hospitals and transferring services to the private sector. Citizens are still paying for it; they're not just paying through their taxes but they are paying out of pocket as well.

If you are preparing this list of the growth in health care costs, I'd like to also know how they were achieved. That will have to be part of the document for it to actually encompass the whole situation. You cannot only talk about financial costs without talking about the way citizens are deprived of services or might be receiving services of lower quality than what they were receiving before.

That's the whole point of the line of questioning. I just wanted to set that out.

• (1720)

**The Chair:** Thank you.

Mr. Jean, please.

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

Something that we keep missing here is that this is a provincial responsibility. The province has ultimate control of the administration of health care. What we've heard today is clear evidence that the provinces, on average, are increasing their health care expenditures by somewhere in the neighbourhood of 3.6% to 3.8%, and the federal government, as a funding partner only, is coming forward and saying, here are 6% increases. And we're complaining about it. Well, we're not, but clearly somebody is complaining about it, and we're simply a funding partner. I think what needs to be clear is that it's not a federal responsibility. That is what I would like to say.

I would also like to respond to Mr. Brison's comments in relation to Alberta. It might have something to do with the extreme growth that we've had over the last eight years. I would indicate to him that in my constituency of Fort McMurray, we have the lowest doctor-patient ratio in the country. In fact, I think we're the lowest in the OECD as far as the doctor-patient ratio is concerned. So as far as the delivery of health care services goes, Albertans need the increase, because, frankly, we've had such tremendous growth from your

constituency and many other constituencies around the country where people want to get a job and have a great career and live in a great place.

**Hon. Scott Brison:** If we had had the wisdom and foresight and vision—

**Mr. Brian Jean:** Of having the oil sands....

**Hon. Scott Brison:** —to put oil under the ground, we would have done the same thing. We just didn't think about it.

**Mr. Brian Jean:** You are digging it. It's in Alberta.

**The Chair:** Is there a question for Mr. Macdonald?

**Mr. Brian Jean:** There is no question there.

**The Chair:** Okay. It's just a comment.

May I finish with this division, then, colleagues?

**Some hon. members:** Agreed.

**The Chair:** Thank you.

Mr. Macdonald, I want to thank you very much for answering our questions and for being with us and giving your presentation.

Colleagues, I am going to take a five-minute health break in the interests of all of us. We'll resume in five minutes.

**Mrs. Shelly Glover:** Six minutes.

• \_\_\_\_\_ (Pause) \_\_\_\_\_  
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**The Chair:** I call the 61st meeting of the Standing Committee on Finance back to order. We are studying Bill C-38.

Colleagues, we had just finished with division 17, but we had also just tabled division 15. We are glad to have two officials from Public Safety join us here today. They are going to talk about the Canadian Security Intelligence Service Act.

We look forward to any overview you may have of these amendments, and we will have some questions from members after that.

• (1730)

**Mr. John Davies (Director General, National Security Policy, Department of Public Safety):** Thank you, Mr. Chair, and I apologize for messing up your order earlier on.

Division 15, or clauses 378 to 387 of the budget implementation act, is relatively straightforward. It amends the Canadian Security Intelligence Service Act to abolish the Office of the Inspector General.

For those who are perhaps unfamiliar with the role of the Inspector General, I'll briefly go through what it does. The main task of the Inspector General is to produce an annual report, what is called in legislation a "certificate", for the public safety minister. The certificate is basically an attestation by the Inspector General that the Canadian Security Intelligence Service is abiding by its mandate, legislation, and ministerial direction, and that the report of the director of the service is accurate. That's the primary function of the Inspector General. The Inspector General does not deal with complaints in any way; it's a review body.

Clause 380 in the BIA repeals the functions and the powers of the Inspector General. Clause 381 gives those functions and powers over to the Security Intelligence Review Committee, which is another review body of the service. Basically, the director's report will be looked at by the Security Intelligence Review Committee and it will proceed from there.

For those of you who are unfamiliar with the Security Intelligence Review Committee, it is a legislated external review body that reports to Parliament. It does external reviews of the performance of CSIS—I guess that would be its main function—and it also deals with complaints about the activities of the service. Again, as with the Inspector General, it looks in particular at CSIS's adherence to its mandate, to ministerial direction and, to some extent, CSIS's internal operational policies. I can go over some of the work of the Security Intelligence Review Committee in more detail, if you're interested.

But to finish off on the other clauses in the budget implementation act, there are a few other clauses that tighten up the reporting role that the Security Intelligence Review Committee will have to ensure that all reviews will go to the minister. It also ensures there will be at least an annual briefing to the minister, or at any other time the minister requests.

As I said, these 10 clauses are relatively straightforward in transferring the primary role of the Inspector General to the Security Intelligence Review Committee.

● (1735)

**The Chair:** Thank you very much for that overview.

We'll begin members' questions with Mr. Marston, please.

**Mr. Wayne Marston:** Thank you, Mr. Chair.

Before we start, I want to assure you that I'm not a conspiracy theorist. One of my favourite writers is Kris Kristofferson, and he's written a song *The law is for the Protection of the People*. Understandably, with all of the rhetoric—and I want to stress that word—around the intelligence communities of all countries, there's a kind of mystery to it all, as is necessary.

We're changing the oversight with these changes, and with regard to the SIRC, is there a similar expertise, particularly an intelligence-related type of expertise, compared to those on the existing committee?

**Mr. John Davies:** Yes. It's very similar. A number of analysts who have worked in the Inspector General's office have also worked at the Security Intelligence Review Committee and vice versa. It's the same thing in Public Safety with the national security branch, of which I am part. A number of analysts have worked in both places, so they have a similar or complementary skill set.

As one point of clarification, neither the Security Intelligence Review Committee nor the Inspector General is really an oversight body. Oversight implies that it's ongoing, and now it's more of a review function looking back at activities.

**Mr. Wayne Marston:** Would that be an annual review? How frequently would it be?

**Mr. John Davies:** The Security Intelligence Review Committee and Inspector General both produce annual reports summarizing all the reviews they've done during the year.

**Mr. Wayne Marston:** So those reports would go to the minister, and then to the Parliament by the minister?

**Mr. John Davies:** The normal review function of the Security Intelligence Review Committee would continue. Their annual report would be submitted by the minister to Parliament. In addition, there would be an internal report prepared by the minister—the certificate—which is the former Inspector General's function.

**Mr. Wayne Marston:** By “internal”, do you mean it doesn't go to Parliament?

**Mr. John Davies:** That's right. It goes to the minister. An unclassified version is released, though.

**Mr. Wayne Marston:** That covers my questions.

**The Chair:** Thank you, Mr. Marston.

Mr. Brison.

● (1740)

**Hon. Scott Brison:** I want to confirm the justification for this change. Was it purely budgetary?

**Mr. John Davies:** It was part of the deficit reduction action plan, so it was a budgetary decision. I think it's also a strong policy rationale, given that we're consolidating similar functions.

**Hon. Scott Brison:** From what I understand, the Inspector General is usually chosen from within the security establishment. Is that right?

**Mr. Darryl Hirsch (Senior Policy Analyst, Intelligence Policy and Coordination, Department of Public Safety):** Yes, that's correct.

**Hon. Scott Brison:** Are there benefits to having former intelligence officers knowledgeable in the area provide this type of oversight? I realize you've said that in some ways it is not oversight. But are there advantages to having former intelligence officers from the security establishment in this role?

**Mr. John Davies:** There could be advantages. It could also be advantageous to come from outside the security intelligence community—it could result in a different perspective. The important thing is to make sure the analysts who work in the secretariat have the right skills to do the job.

**Hon. Scott Brison:** I've read that this change, abolishing the Inspector General, will save about \$1 million a year.

**Mr. John Davies:** The target under the deficit reduction action plan for this mission is about \$800,000.

**Hon. Scott Brison:** Does the government plan to reallocate these savings to the budget of SIRC?

**Mr. John Davies:** No, the budget for the Inspector General is part of the Public Safety budget. When you cost out the nine staff and the associated operating costs, it comes to more like \$1 million, so there's a bit of a differential there, and we're exploring how to reallocate it within the Security Intelligence Review Committee. We're looking at that.

**Hon. Scott Brison:** So the money will be reallocated within SIRC.

**Mr. John Davies:** Yes.

**Hon. Scott Brison:** So the intention is to reallocate within.

**Mr. John Davies:** Yes.

**Hon. Scott Brison:** Thank you.

**The Chair:** Ms. Glover.

**Mrs. Shelly Glover:** Make sure it's the differential. You said it was a reallocation of the differential. I just wanted to clarify that.

**The Chair:** Mr. Mai.

[Translation]

**Mr. Hoang Mai:** Thank you, Mr. Chair.

I would like to have a clearer understanding of the inspector general's role. Here we see, in particular, that:

[English]

CSIS activities have complied with legislation and Ministerial Direction

That is one of the functions of the Inspector General?

**Mr. John Davies:** Yes.

**Mr. Hoang Mai:** So who will now look at whether or not the obligations have been fulfilled?

**Mr. John Davies:** The Security Intelligence Review Committee.

**Mr. Hoang Mai:** Before that, was the SIRC also looking at this?

**Mr. John Davies:** Yes, essentially.

**Mr. Hoang Mai:** Were there cases where the report would differ in terms of what the Inspector General was saying versus what SIRC was saying?

**Mr. John Davies:** I think SIRC's reviews might differ with, say, those of the Inspector General. They might look at other things, and they might be a bit more operationally focused. Usually, though, it's more of a duplication or an overlap—there's no substantive difference in the findings that we've observed.

**Mr. Hoang Mai:** The question for us has to do with accountability and transparency. We are taking out someone in the system whose role is to make sure that the activities comply with legislation.

You were talking about duplication. So basically, everything the Inspector General has done so far was useless? What was the original reason to have an Inspector General?

**Mr. John Davies:** I think it was in 1984 or 1985 that the CSIS Act was put in. Probably at the time it was to give independent eyes and ears for the minister, different from the external review body of SIRC. I think, though, what's going on here is no change to the proportion or amount of review that's going to be done. Two-thirds of the CSIS Act still deals with accountability and reporting and review. That proportion stays the same. It's one function that is done

in many ways already by SIRC, but it's going to be done specifically in a different place.

● (1745)

**Mr. Hoang Mai:** At the end of the day, we are losing someone who's independent and whose role is to oversee.

**Mr. John Davies:** Again, the Inspector General is part of Public Safety. It's like another part, so the office is not really independent. It's part of the bureaucracy of Public Safety. The Security Intelligence Review Committee is truly independent—it's arm's length—so they will be given additional powers here.

**Mr. Hoang Mai:** Thank you.

**The Chair:** Okay. Thank you.

More questions, Ms. Nash.

**Ms. Peggy Nash:** I have a couple of quick questions.

Thank you for being here today.

When the Inspector General was re-appointed in 2010, the minister said that her office helped to ensure that CSIS operated within the law and followed current policies. When did that cease to be important under her office? You're saying it's going to be done through SIRC, but the minister at the time said it was important that the Inspector General fulfill that function. What has changed since then?

**Mr. John Davies:** I'm not sure much has changed. The key point here is that the function is what's important and that same function is going to continue. It's only going to be dealt with around the corner basically, in a different building downtown. The main thing that's changed since 2010 is the deepening financial crisis and the policy priority of going after the deficit. I think that's the main issue here.

**Ms. Peggy Nash:** So if there were not austerity measures brought in by the government, this change would not be made to the Inspector General's office. The minister himself wouldn't be initiating this change.

**Mr. John Davies:** I can't answer that clearly. I'm not sure what our advice would be with or without a deficit reduction action plan. As I said, I think there's strong policy merit either way. I think there was clear duplication going on in the system and there are efficiencies to be gained, which is a good policy to have under any fiscal situation.

**Ms. Peggy Nash:** Yes.

Did the fact that the Inspector General has often been publicly critical of CSIS play a role in eliminating that position?

**Mr. John Davies:** No.

**Ms. Peggy Nash:** Is there currently a chairperson at SIRC now?

**Mr. John Davies:** There is not currently a chair. I believe that's a Governor in Council appointment that's being worked on. It's not my area.

**Ms. Peggy Nash:** So the position of Inspector General is being cut and that function will be replaced by a committee that doesn't have a key leader, the chairperson, as part of it right now.

**Mr. John Davies:** As I said, that's being worked on now. The Inspector General herself actually retired at the end of last year.

**Ms. Peggy Nash:** How long has the position of chair been vacant at SIRC?

**Mr. John Davies:** I'm not sure, but a few months.

**Ms. Peggy Nash:** A few months, okay. All right, thank you.

**The Chair:** Thank you.

I have Monsieur Mai.

**Mr. Hoang Mai:** Just so that I understand this, in practice the Inspector General was able to go out in public and talk about some of the issues that were wrong or problems with CSIS?

**Mr. John Davies:** No. To be clear, the Inspector General position is an internal accountability mechanism for the Minister of Public Safety. Anything you've seen in the public from the Inspector General came out through an access to information request, a sort of redacted version on a website.

**Mr. Hoang Mai:** So you say someone will replace the equivalent of the Inspector General. In terms of the fiscal implications of this, with the elimination of the Inspector General can you tell us how much it will cost in additional resources for SIRC?

• (1750)

**Mr. John Davies:** Yes, as I said before, the deficit reduction action targets are now at \$800,000. That's what we're working to.

If you impute the cost of full-time equivalent positions at the Inspector General, in operating costs it comes out to about \$1 million or so. We are looking to reallocate that differential to the Security Intelligence Review Committee. It's in that neighbourhood that we're looking. It depends upon the exact amount available and so on.

**Mr. Hoang Mai:** If you're saying that the target reduction is \$800,000 and the positions were worth roughly \$1 million, there hasn't been any plan yet on how much will be allocated to replace....

**Mr. John Davies:** We're just working through that with our corporate services folks on how this is going to translate.

**Mr. Hoang Mai:** Okay.

**The Chair:** Thank you.

I thank our officials for being with us here today. We appreciate your responses very much.

**Mr. John Davies:** Thank you.

**The Chair:** We'll move on to division 18, the Fisheries Act. I will ask the officials responsible for it to come forward.

Thank you. I want to welcome you both to the committee.

Could you give us a brief overview with respect to division 18? Then we'll have questions from members.

**Mr. Nigel Harrison (Manager, Legislative and Parliamentary Affairs, Department of Fisheries and Oceans):** Certainly.

I'd like to thank you for inviting us here today to discuss part 4, division 18. This refers to clause 411.

The proposed legislative amendments introduce a new section to the Fisheries Act, section 10, specifically subsections 10(1) and 10(2). These would authorize the Minister of Fisheries and Oceans to allocate fish for financing purposes in the context of a joint project agreement.

There are additional amendments to the Fisheries Act contained in part 3; these also allow for entering into agreements with others. Those are in proposed new section 4.4 of the Fisheries Act.

These new amendments together would provide the department with the ability to use moneys that flow from these agreements containing the aspect of the use of fish for the purposes of defraying incremental and operating costs attributable to activities set out in such agreements.

**The Chair:** Mr. Jean has a point of order.

Mr. Jean.

**Mr. Brian Jean:** I apologize, as I don't have the witness's submission.

Could you repeat that last sentence? I don't think I got the gist of it.

I apologize, Mr. Chair.

**Mr. Nigel Harrison:** Oh, I'm sorry.

**The Chair:** Okay.

Do you want to just repeat that?

**Mr. Nigel Harrison:** I just made the point that we are talking here about an amendment that is contained in part 4, indicating that it should be read into a section that we've introduced in part 3 for responsible resource development, which allows for the minister to enter into agreements with others. The reason it's there is that it is an integral part of that part of the bill, concerning the minister entering into stewardship agreements with others as part of habitat protection.

**Mr. Brian Jean:** You had also said "to use moneys..."

**Mr. Nigel Harrison:** Oh, that part, yes. As part of the agreement we'd use the money in these sorts of agreements for the purposes of defraying incremental or operating costs attributable to activities that would be part of this agreement.

**Mr. Brian Jean:** Thank you.

**Mr. Nigel Harrison:** Given the benefits that would derive to industry from various scientific and management activities, an approach of this sort of shared stewardship and a stronger role for industry in activities is appropriate, we feel. For example, additional scientific data generated through these sorts of agreements can assist in setting higher allowable catches and in supporting eco-certification of fisheries, which generate additional economic opportunities for fishers.

**The Chair:** Thank you very much for that overview.

Do we have questions from the NDP?

Ms. Nash, please.

**Ms. Peggy Nash:** Why is this change before the finance committee?

**Mr. Nigel Harrison:** Why is this part of the budget bill?

• (1755)

**Ms. Peggy Nash:** Yes.

**Mr. Nigel Harrison:** I really can't comment. It was not my personal decision.

**Ms. Peggy Nash:** Perhaps a question for the chair is, would this not be more appropriate to go to the subcommittee, where we at least have some of the fisheries critics who are going to be examining these changes? I just feel as the finance critic that I really can't comment on fish and the appropriateness of these changes. I'm happy to offer opinions, but your expertise is in the fishery, and it might be more appropriate to have the fisheries critics as the proper people examining this.

I just raise this as a question.

**The Chair:** There are a couple of members who want to answer the question. Do you want to have a...?

**Ms. Peggy Nash:** Sure.

**The Chair:** Ms. Glover, and then Mr. Jean.

**Mrs. Shelly Glover:** Thanks, Mr. Chair. I welcome the question by Ms. Nash.

The fact is that many of the sections in the budget implementation act don't require expertise. For example, we just heard from SIRC and CSIS, and the public servants who work in those areas. We heard from police officers before. Those measures aren't going before the public safety committee either.

This measure, in fact, is a result of a change following a court case. As in many other budgets and budget implementation acts previously, quite often the changes that come about as a result of a court decision get put into budget implementation acts.

This particular section also has nothing to do with environmental assessments or anything like that, which is why it's entirely appropriate to have it before this committee as another measure in the budget implementation act. But it certainly doesn't require any kind of assessment, or that kind of thing, requiring experts.

I want to share the rest of my time, if I could, with Ms. McLeod.

**The Chair:** Ms. Nash, do you want to continue with your time? Mr. Jean and Monsieur Caron wanted to comment as well, but I can have them—

**Ms. Peggy Nash:** Do you need the whole five minutes, or do you want to complete my time?

**Mr. Guy Caron:** Actually, it's just to discuss this issue—

**The Chair:** I've actually frozen the time. So this is just a discussion on why it's here.

**Ms. Peggy Nash:** Do you want to comment on why it's here?

[Translation]

**Mr. Guy Caron:** Yes, that's correct.

[English]

**The Chair:** I had Mr. Jean, and then Monsieur Caron.

Mr. Jean, on this point.

**Mr. Brian Jean:** I have two points, Mr. Chair.

First, I was going to make the same comment that Ms. Glover made. It is a financial issue, not a quality of work issue. That's the first.

Second, Mr. Chair, I have to be clear that I don't think there's any better fisherman, anywhere in Ottawa, than I am.

**Voices:** Oh, oh!

**Mr. Wayne Marston:** Shocking!

**Mr. Brian Jean:** Since her leader, Mr. Mulcair, is coming up to Fort McMurray in the near future, I'd like to invite him on a fishing trip up the Clearwater River to fish first-hand and to see the skill and agility with which I catch fish. I promise, Mr. Chair, they won't be disappointed. And Ms. Nash is invited as well.

**The Chair:** Okay, I appreciate that. I'm sure there's no exaggeration whatsoever in your answer.

Monsieur Caron, *s'il vous plaît*.

**Mr. Guy Caron:** We should ask him about the size of the fish he's catching.

[Translation]

It is appropriate to refer only division 18 to the committee because, according to the witnesses, that section is intrinsically linked to the other proposed provisions for the Department of Fisheries and Oceans. If the subcommittee studies the provisions respecting that department and if this measure is related to them, I do not see how we could prevent it from doing so. The subcommittee is currently discussing part 3. So it is appropriate to refer only section 18 to the subcommittee so that it can examine it together with all the measures proposed for the Department of Fisheries and Oceans.

[English]

**The Chair:** I'm going to have to leave that as a matter of debate. The reality to me, as chair, is that the motion passed by this committee stated that part 3 should go the subcommittee. That's why they're dealing with part 3. As to why it's in here, my sense is that it's about fish allocation for financing purposes. That's why it's in part 4. But we'll have to leave that as a matter of debate.

I froze Ms. Nash's time. She has four minutes. Then I'm going to go to Ms. McLeod.

**Ms. Peggy Nash:** I have no further questions, but I do want to comment.

It is talking about fish allocation and the appropriate authority to set aside a certain quantity of fish, fishing gear, and equipment that may be allocated for the purpose of financing scientific and fisheries management activities.

I just don't believe the finance committee has the appropriate expertise to deal with fish allocation. I have no questions because I really do believe this should be with the subcommittee. Actually, it should be with the fisheries committee, but our critic is going to be in the subcommittee.

● (1800)

**The Chair:** Thank you.

I'll go to Ms. McLeod, please.

**Mrs. Cathy McLeod:** Thank you, Mr. Chair.

What I'd really like is an example from before the court of appeal's decision of what might have happened in using an allocation to finance some activities. Can you give me a specific example?

**Mr. David Gillis (Director General, Ecosystems and Oceans Science Sector, Department of Fisheries and Oceans):** Yes, I can. There are quite a few arrangements that we had in place before the court action in 2006. One involved a fishery for which the department had a science program that was able, using our own resources, to take us a certain distance in terms of understanding the resource. We worked with the industry to involve them in that process. They asked us whether we could do further work on that resource to provide more clarity, less uncertainty, about the status of the resource. We weren't able, with the existing allocations, to do that, so we began to discuss an arrangement whereby we would have a joint project between the industry and Department of Fisheries science in which we would cooperate to bring additional activities for more clarity.

The industry agreed to finance a part of that. They requested that we do so by setting aside a portion of their allocation, which could be used, with their engagement, to offset the costs that fishermen would incur in doing the work on the water, which would generate the information that we would then assess and use to provide more advice.

That was done, and it carried on for several years prior to the court case's indication that the minister did not in fact have the authority to allocate fish for that purpose.

That's an example. There are many others.

**Mrs. Cathy McLeod:** Thank you. That's all.

**The Chair:** Mr. Brison, please.

**Hon. Scott Brison:** Thank you very much for joining us today.

Some critics are saying that the federal government is circumventing the 1871 agreement that made B.C. a province, in which the federal government agreed to provide B.C. with services, including the protection and encouragement of fisheries.

How do you respond to that?

**Mr. David Gillis:** I think we have to keep in mind that the regular appropriation comes to the department and, among many other activities, we use it for the activities that go to the purpose you speak of.

There always seems, however, in my experience to be an additional amount of information that the resource users would like to have. It may help them make their business cases; it may help them make their decisions for investment in the fishery. This creates an opportunity for us to have a joint project to meet our common needs, the needs we would share between the government and the industry, and to do more work than we can do with our regular allocations.

We have quite a portfolio of these types of collaborative projects. We have had several hundred in the past. I don't have a current count right now. In a lot of those cases, fish was a part of the mechanism by which the industry was able to bring their part.

**Hon. Scott Brison:** In order to finance your scientific and fisheries management activities, I wonder whether the federal government should be doing this more out DFO's budget, not by taking fish quota or gear or equipment away from fishers to finance

these activities. Are you putting more responsibility for science on the backs of fishers themselves. Is that part of this?

**Mr. David Gillis:** I think I would describe it as creating an opportunity, maybe a better opportunity than we currently have, to enter into a joint project agreement with fishermen through an organization, maybe, or a company. It's always something that's done with their engagement and obviously their agreement. This would need to be done within the context of that joint project, so I'm not sure that we're pushing anything onto them.

• (1805)

**Hon. Scott Brison:** In terms of the control and direction of science research, is there a risk to the credibility of the science and research if there's a devolution of it to fishers? Look at what happened off the coast of Atlantic Canada with the cod fishery when science was ignored, some would say, during that period. Is there not a risk of repeating some of the same mistakes?

**Mr. David Gillis:** All of the work that we would do, and all of the work that we do now collaboratively with the industry, is brought into the department and is put through our existing science peer-review program. In fact this program, which is the basis from which we provide our advice to the minister, regularly brings in and meshes together our own research, research that we might do collaboratively, and any other research that's relevant, which might even be done independently. In an open and transparent manner, it allows us to crunch that and—

**Hon. Scott Brison:** As it is now, before this change, approximately what percentage of the research that—

**The Chair:** You have one minute.

**Hon. Scott Brison:** —you rely on would be government-sponsored research versus private sector-sponsored, and how will this change that? I'm just looking for ballpark figures.

**Mr. David Gillis:** In ballpark figures, the fisheries science program at the department is in the order of \$82 million at the moment. The amount of relief funding that we are putting into this package of projects, which used to be funded with fish but are now covered with relief funding, and which we would now hope to move off relief and onto fish, is in the order of \$10 million. So that gives you the relative scale of where we are now.

It's difficult for me to answer the other part of your question, because I don't know what the demand is going to be from the industry and the agreement from the government will be to augment that in the future. We'll have to see.

**Hon. Scott Brison:** But there is a reduction in the public science investment?

**Mr. David Gillis:** No.

**Hon. Scott Brison:** No?

**Mr. David Gillis:** No. I don't believe so.

**The Chair:** Could we have just a brief response, please?

**Mr. David Gillis:** Yes.

The value of the resource that would be used if this tool were available would be fully in addition to what our current investment in science and management is.

**The Chair:** Okay, thank you.

I have Mr. Jean.

**Mr. Brian Jean:** I don't want to hog the time, Mr. Chair. I was just interested in hearing, if we could, about some of those opportunities that you suggested these changes would drive.

**Mr. David Gillis:** Generally speaking, we feel there is an opportunity to re-engage more fulsomely with the fishing industry in the discussion about collaborative work. The court ruling of 2006 has had the effect of dampening the amount that we have been able to do with the industry, because, quite frankly, it's been more difficult for the industry to fund its side of a collaborative project. Everything else being equal, I think if this tool were available, it would reopen the opportunity to have discussions with the industry, which is interested in doing joint projects with us.

**Mr. Brian Jean:** Obviously, they're interested in doing that, because we all have the same goal, which is to make sure we have a sustainable fish industry that's going to continue to serve Canadians for generations. Do you think that's fair?

**Mr. David Gillis:** Yes.

**Mr. Brian Jean:** Okay.

Those are my only questions.

Are there any other opportunities, just before I devolve my time?

**Mr. David Gillis:** It's difficult to be specific, because—

**Mr. Brian Jean:** I understand, but you feel the model that this legislation is pursuing is going to open up opportunities for the industry, and also open up opportunities generally, to make sure that we have a sustainable fish population?

**Mr. David Gillis:** Yes, and I believe it will—because of the industry engagement, as my colleague explained—provide it the opportunity to bring more detailed information about the resource that it can use in its business-planning and economic-planning cycles, as well as in conservation.

**Mr. Brian Jean:** Excellent.

Thank you.

**The Chair:** Thank you, Mr. Jean.

*Monsieur Mai, s'il vous plaît.*

**Mr. Hoang Mai:** Even though I agree with Ms. Nash that this should go to the other subcommittee, just so we understand, since we're talking about this, there was a Court of Appeal decision, because the money from licences was to be used for financing purposes. Is that correct?

• (1810)

**Mr. Nigel Harrison:** Yes.

In 2006, the Federal Court of Appeal, in the Larocque case, held that the Minister of Fisheries and Oceans didn't have the authority to use fish for financing. Among other things, the court held that the minister, by deciding to pay a contracting party the proceeds of the sale of fish was utilizing a resource that didn't belong to him for funding Fisheries and Oceans undertakings. The court found that this was an action that the federal crown couldn't perform unless we made an amendment such as the one that's being proposed here today.

**Mr. Hoang Mai:** Who brought that to court? Who was against the minister's use of the licensing?

**Mr. David Gillis:** The individual who brought the case was a member of a snow crab fishing fleet in New Brunswick.

**Mr. Hoang Mai:** So now are the fishers for or against using that money?

**Mr. David Gillis:** Certainly the sense we have developed over the last few years is that the industries that we currently collaborate with in the established group of projects that we keep going with relief funding are generally in support of continuing. In our general dialogue with the industry, we also hear that it would appreciate having a better basis for collaboration with the department on science issues and management issues, although I'm speaking from the science point of view.

So we believe there is general support for this.

**Mr. Nigel Harrison:** This is a tool for the minister to use. It's not automatic, and there certainly would be consultations. Once this is in place, we'd be developing directives to frame the new authority and ensure the proper balance between private and public funding.

**Mr. Hoang Mai:** When you talk about consultation, is it with smaller fishers or with the industry in general?

**Mr. Nigel Harrison:** I think that because what we'd be talking about is pretty much based on a small fisher group, a group that we would want to be using the quota for this sort of a project and why we would be entering into an agreement, you would consult with the group and talk about the best use of this as an appropriate action.

**The Chair:** Thank you for being with us here tonight. I appreciate the information.

We will ask officials for division 19, the Food and Drugs Act, to come forward.

Welcome to our committee tonight. We'd ask you to give an overview of division 19, and then we'll have questions from members.

Mr. Lee, please.

**Mr. David Lee (Director, Office of Legislative and Regulatory Modernization; Policy, Planning and International Affairs Directorate, Health Products and Food Branch, Department of Health):** Thank you, Mr. Chair.

Division 19 has two major changes to the Food and Drugs Act that are fairly narrow in scope. The first relates to how Health Canada will tell the system what is or is not a prescription drug. The second relates to food and food safety.

If you go to clause 413, that's where the prescription measure begins. What we're looking at here is that Health Canada will do a scientific assessment when a drug comes in and will measure whether a drug needs to be sold under prescription or not. That science is meant to remain stable. We use very long-standing criteria to make that assessment. We're intending to make the change as a result of the following. Beyond the science, it takes quite a long time to reflect a change to the regulatory schedule, which we now call schedule F. So we want to eliminate that long time to reflect the scientific decision.

The tool allows the minister to create a list of what were formerly schedule F drugs. That list is then incorporated by reference to proposed section 29.2. To make sure that works in a very transparent way, you'll see measures ensuring that no one is held accountable in terms of compliance unless that list is accessible.

The changes to food would also follow the same pattern. So we're looking at a set of decisions that Health Canada has to make on issues like food additives, for example, or a substance used in a food. There's a scientific assessment made before that substance is allowed to be used by manufacturers. The instrument would allow the minister to make a new housing for that rule through a ministerial regulation and incorporate a list of substances. So it would eliminate the very long time it now takes to express the scientific finding in a regulation. So we can move away from taking something like citric acid in peaches rather than pears and going through a whole regulatory amendment.

Following the marketing authorization sections, there is also a more general incorporation by reference to provision in proposed subsection 30.5. This would create the same agility except around issues like contaminants. So it would allow the minister to incorporate by reference a list of contaminants that should not be in something like fish or other products, for example.

Again, the premarket science is intended to remain the same. The efficiencies are gained through the administrative lists, and we think there's also a safety gain to be made in this system since it moves important antimicrobials and other food safety measures into the system faster.

● (1815)

**The Chair:** Thank you very much for that overview.

We'll have members' questions, with Ms. Nash first.

**Ms. Peggy Nash:** Thank you for being here this evening.

So now we're moving from fish allocation to the Food and Drugs Act. So we're broadening our scope here quite considerably.

You are officials from the Department of Health, and just so I understand the amendments that are being proposed, is it correct that this section grants the Minister of Health the power to exempt products from the regulatory process? Is that what this change is?

**Mr. David Lee:** We would not characterize it in that way. The minister is doing the same scientific process as always. There is no exemption from a compound either on the drug side or the food side going through the same scientific rigour. All that is changing is how that is expressed, and in fact it just goes on a list that's again incorporated by law, has the force of law, but it doesn't go through a whole regulatory amendment.

**Ms. Peggy Nash:** So the substance would be going through the regulatory process, but in the meantime the minister can issue an exemption, a temporary exemption, because eventually it will get through the scientific process. Does that describe what's happening?

**Mr. David Lee:** No, this instrument does not give the minister that ability.

In fact, there was an interim marketing authorization set of provisions that was introduced earlier into the Food and Drugs Act with the same aim, to make it more efficient, but those sunsetted

after two years. Looking back, they did not get us to the efficiency we were looking for. So there is no fast-tracking in this process in terms of the scientific assessment. What we're carving back on is the amount of time it takes to express, after the scientific assessment, in the rule.

**Ms. Peggy Nash:** So the scientific assessment takes place, and that determines if a product is safe, yes or no?

**Mr. David Lee:** Correct.

**Ms. Peggy Nash:** Or a food or an additive is safe, yes or no?

**Mr. David Lee:** That's correct.

**Ms. Peggy Nash:** And then the regulations that would follow would put that into the force of law.

So what would this temporary exemption, let's call it, or list, do differently? It speeds up the process, but is there any less protection for people because of this change? I assume if regulations are going to be in place, they're there for a reason. If they are not in place at a given point in time, what is the impact of that?

**Mr. David Lee:** Again, these are still regulations that are being made. They will still have the force of law.

**Ms. Peggy Nash:** They will when they come into force, eventually.

**Mr. David Lee:** That's correct. So the safety part comes in the scientific assessment. You're looking at an individual compound. Is it toxic? How will Canadians be exposed to it? That is done, again, through a very well known, well established process. We then have to make a rule after that through a regulatory package. This can take many years. So if we think about an antimicrobial that could help out with food safety, after we're very satisfied on the science, there's this delay of sometimes up to two or three years, waiting for it to go out into the market.

This is a very difficult situation. Similarly, if we were going to delist something from the regulatory tables, even if we had determined it's not safe, we would have to make a regulatory amendment and that is not a very agile process.

So there's no eliminating safety. In fact, it's all still there.

● (1820)

**Ms. Peggy Nash:** No, I got that point from you, but what I'm trying to understand is presumably if there are going to be regulations, there's a purpose for the regulations, and if the product is going ahead after the scientific review, on a list, before the regulations are in place, what is the impact? I presume regulations serve a purpose. Not having regulations must mean something, and I'm just asking you whether it means something would not be enforced in a certain way. What would be the impact of not having regulations there?

**Mr. David Lee:** We're quite satisfied that there would be no change in the protection elements of this. The expression in a regulatory table.... If you look at the food and drug regulations, it's a very thick piece—

**Ms. Peggy Nash:** Forgive us, but we're the finance committee—

**Mr. David Lee:** Yes, of course. It's a very thick document and it's full of tables that you will look at. Those tables will look the same in the administrative list. The administrative list will also have the same force of law. So if you're looking at the website, you will see no material difference in those that have to follow those rules, and again, the science in behind it is exactly the same.

**Ms. Peggy Nash:** Okay.

Thank you.

**The Chair:** Thank you.

We'll go to Ms. Glover, please.

**Mrs. Shelly Glover:** Thank you, Mr. Chair.

Thank you to the witnesses for being here.

Just to be very clear, my understanding is that there will be no changes to the scientific review and assessment process as a result of anything that is being suggested here, and the same degree of scrutiny and rigour will be maintained so that Canadians can be assured that health and safety will not be compromised.

Is that a clear, accurate statement?

**Mr. David Lee:** That is completely correct.

**Mrs. Shelly Glover:** Okay, so no suggestion of exemptions by the opposition, etc., no wording can spin it around to being something else. There is absolutely no change to those effects, given these regulations.

However, the stakeholders have in fact said they're having some problems moving forward. I want you to give us an example of what stakeholders have told you that require that this come into force, which I think set out to reduce duplication, reduce red tape, eliminate the long delays.

If you could give us a concrete example of what stakeholders are seeing as an impediment to moving forward, that might help others to understand.

**Dr. Samuel Godefroy (Director General, Food Directorate, Health Products and Food Branch, Department of Health):** Thank you, honourable member, for the question.

I can give an example in the area of food additives with regard to the amount of time that actually can be taken after the scientific assessment has been completed and essentially the substance to be added to foods is deemed to be safe. The example I'm going to use is for an antimicrobial substance, which is a substance that is aimed to either inhibit or delay the growth of harmful bacteria in food.

After our scientists have assessed this substance, deemed it to be acceptable, and identified the conditions for its safe use, it can take up to 36 months of regulatory work and changes—meaning amendments essentially, the drafting of the regulations and so on—before that substance essentially could be given access to the Canadian market.

Those changes are essentially aimed to reduce that period. The scientific assessment is still the same, with the same rigour and the same scrutiny. Once the recommendation of the substance that is deemed to be safe is granted essentially a safe bill, if you will, after that it could reduce that period to as little as six months to enable the access to market.

**Mrs. Shelly Glover:** So it's cutting red tape, very much in line with the red tape commission's efforts that Ms. McLeod took part in. It sounds like a fairly straightforward measure to just reduce red tape, cut red tape, reduce delays, and move forward.

But the decisions, and the decision making-process, aren't affected at all by this.

**Dr. Samuel Godefroy:** No, it's correct; essentially there is no change to the scientific decision-making process whatsoever.

• (1825)

**Mrs. Shelly Glover:** Thank you.

**The Chair:** Thank you very much.

We'll go to Mr. Brison, please.

**Hon. Scott Brison:** Thank you very much for being here today.

How many Health Canada scientists were dedicated to undertaking scientific review and assessment of food safety particularly between 2006 and 2011?

**Dr. Samuel Godefroy:** I do not have that figure right now, but essentially we could table that information before the committee.

**Hon. Scott Brison:** Will there be any changes in that number as a result of this decision?

**Dr. Samuel Godefroy:** The changes that are in fact proposed here are not accounted for as part of the deficit reduction action plan, so there are no changes to the budgets allocated to the evaluation of substances.

**Hon. Scott Brison:** But the deficit reduction plan you've referenced will have an effect on the number of scientists engaged in food safety from Health Canada.

**Dr. Samuel Godefroy:** The department has identified a number of efficiency gains related to the overall operations of the department, and there will be changes overall to the food program as a result of that.

**Hon. Scott Brison:** The decision that this change reflects goes back to around 2007, does it? Was that the genesis of this?

**Mr. David Lee:** It was much earlier than that, recognizing that what we're changing is a very old regulatory structure. Some of it is about 50 years old, and possibly older. There have been pressures on the time it takes, following scientific review, to just reflect a regulatory amendment.

**Hon. Scott Brison:** So just to reassure us, the result of this provision—division 19 of this budget implementation bill—will not reduce the number of health scientists in Health Canada undertaking scientific review and assessment? I just want to confirm that.

**Mr. David Lee:** This is quite narrow—it speaks only to the regulation-making process conducted by others.

**Hon. Scott Brison:** So it's a streamlining process that ought to shorten the time required without risking safety?

**Mr. David Lee:** That's correct.

**Hon. Scott Brison:** Thank you.

**The Chair:** Thank you very much.

[*Translation*]

Do any other members wish to take the floor? Apparently not.

[*English*]

We want to thank you for being with us here tonight. We appreciate your comments and your responses to our questions.

We will move on to division 20, the Government Employees Compensation Act. We'll bring those officials forward.

Welcome to our committee, Mr. Child. We look forward to any opening remarks you may have. Then we'll have questions for you.

**Mr. Alwyn Child (Director General, Program Development and Guidance Directorate, Department of Human Resources and Skills Development):** Thank you, Mr. Chair.

Division 20 proposes one significant change to the Government Employees Compensation Act that will allow prescribed entities to be subrogated to the rights of employees to pursue claims against third parties.

The current legislation was enacted in 1918. It provides benefits to employees of the federal public service, most crown corporations, and agencies if they are injured in the workplace as a result of accidents or occupational diseases. When an employee sustains an injury in the course of employment that's attributable to a third party, the employee may either pursue the third party or allow the federal government to do so. The amendment here proposes to grant the authority to pursue the third-party claims to prescribed crown corporations or other bodies. That's essentially the change that's being proposed. There are two other bits: the first essentially says that the employee must make a choice; the second says that once the election is made it is final.

• (1830)

**The Chair:** Thank you very much for that.

We'll go to questions from members.

No questions?

**Mrs. Shelly Glover:** No.

**The Chair:** Ms. Nash.

**Ms. Peggy Nash:** I'll ask what prompted this change. Has there been discussion with the affected unions?

**Mr. Alwyn Child:** The change was prompted by the fact that 60% of the claims are against crown corporations. And 60% of that 60% are claims against one crown corporation. They are largely tasked

with dog bites, and very often the employer would want to pursue the homeowner rather than the federal government. There are administrative costs to our doing it and quite often it's a very small amount. So it's essentially to save money as part of the deficit reduction action plan. It's not an awful lot of money, but there are nonetheless some savings.

**Ms. Peggy Nash:** So this is someone who would be responsible for making his own claim against a third party?

**Mr. Alwyn Child:** The employee can claim the benefits under the Government Employees Compensation Act. In doing so, the claim is subrogated to the government. This is proposing that it be subrogated to the crown corporation. The other option is for the employee to refuse the benefit and sue the homeowner himself. That's the change.

**Ms. Peggy Nash:** Okay, I understand.

**The Chair:** Thank you.

I have Mr. Brison on the list.

**Hon. Scott Brison:** Did you say primarily...dog bites?

**Mr. Alwyn Child:** Well, I gave that as an example, because we see those quite often.

**Hon. Scott Brison:** So a lot of cases of postal—

**Mr. Alwyn Child:** That's right. Exactly.

**Hon. Scott Brison:** Some of us who have knocked on doors in elections have sustained dog bites as well, so I don't know whether it would apply to us or not.

**Mr. Alwyn Child:** It applies simply to public servants and employees of crown corporations and other agencies. I'm not quite sure if you fit into one of those.

**The Chair:** I think there are a lot of Conservative dogs in Nova Scotia.

**Voice:** Oh, oh!

**Hon. Scott Brison:** I've dealt with a lot of vicious Conservative animals over the years.

**Voices:** Oh, oh!

**Hon. Scott Brison:** Rabid, really. Pit bulls, actually.

No, a weasel is not a dog, Shelley, I'm sorry.

What's the dollar figure involved in this?

**Mr. Alwyn Child:** The overall dollar figure to us is about \$260,000. Those are our costs. I don't know what the overall cost is, but it would range from very small amounts to some more significant ones. This covers fatalities, as you can well imagine, so it varies considerably. I don't know what the overall number would be. If the committee wishes, we can get that to you.

**Hon. Scott Brison:** For crown corporations, is this an improvement from a crown corporation governance perspective?

**Mr. Alwyn Child:** Yes.

**Hon. Scott Brison:** Okay. Thank you.

**The Chair:** Thank you very much, Mr. Child, for being with us here this evening and for responding to our questions.

**Mr. Alwyn Child:** Thank you.

**The Chair:** We'll move on to division 21, the International Development Research Centre Act, on page 299.

Welcome to the committee, Ms. Nicholson. If you want to give us a brief overview of these sections, we'd appreciate it. Then we'll have questions from members.

**Ms. Annette Nicholson (Secretary and General Counsel, International Development Research Centre (IDRC)):** Thank you very much, Mr. Chairman.

This particular item is part of the International Development Research Centre's cost-saving, by reducing the maximum number of members of the board of governors from 18 members to 14 members. There are also some follow-on amendments that would affect quorum and the size of the executive committee. There are no transition costs associated with this reduction, as attrition has already resulted in the necessary vacancies.

•(1835)

**The Chair:** Thank you very much for that.

Are there questions from members? I have Mr. Brison on the list.

**Hon. Scott Brison:** Could you describe the mandate of the International Development Research Centre and what function it provides to government in terms of advisory, or research, or...?

**Ms. Annette Nicholson:** The International Development Research Centre is part of Canada's official development assistance. We are part of the foreign policy family, although it is a crown corporation. It was established in 1970 with the mandate of effectively funding research for development in the developing world. Primarily, the research is done in the developing world as part of the other part of our mandate, which is capacity building for researchers and scientists in the developing world.

**Hon. Scott Brison:** Does your group conduct research and provide evidence-based advice to government?

**Ms. Annette Nicholson:** The grantees do that. Part of the project funding will often involve their doing research in their own countries, suggesting policy amendments that would impact their countries.

**Hon. Scott Brison:** You are saying that through attrition the number of governors has been reduced from 18 to 14. Is that right?

**Ms. Annette Nicholson:** Yes, currently we are actually slightly under 14 and we are awaiting some appointments. This would bring us to 14 with no additional costs.

**Hon. Scott Brison:** I apologize. I should know this, but what is the profile of your governors in terms of experience?

**Ms. Annette Nicholson:** Like any board, there's no typical profile because we're looking for a variety of experience. We're looking for people with expertise in the various areas in which we fund research, and we're also looking for management and financial experience for the oversight functions of a board.

**Hon. Scott Brison:** From time to time, the International Development Research Centre would take positions that any government might potentially disagree with, positions it would present to cabinet or to government or to the ministers, based on its research and evidence.

**Ms. Annette Nicholson:** Generally speaking, because we provide funding and not the decisions—

**Hon. Scott Brison:** I'm talking about it's funded and organized by....

**Ms. Annette Nicholson:** Yes, there would be evidence-based research findings, which would be presented to their governments to make their own policy decisions.

**Hon. Scott Brison:** Sure, so from time to time any independent group that the organization may fund may sometimes come up with policies that would disagree with the sitting government, a Liberal or Conservative government. Since the inception of the group in 1970, I suspect over time that has happened quite a bit. But through attrition, naturally there's always change. How long has it been since new people have been appointed to the board? It's been pared back from 18 to now you're saying 12, about a 33% reduction.

**Ms. Annette Nicholson:** There's natural turnover over time, and the last time we gained new members through regular appointments, I believe, was about two and a half years ago.

**The Chair:** You have one minute.

**Hon. Scott Brison:** Okay, so there has not been a new appointment for two and a half years.

**Ms. Annette Nicholson:** No, not that I can think of.

•(1840)

**The Chair:** Thank you.

[*Translation*]

Are there any other questions?

[*English*]

Thank you very much, Ms. Nicholson, for being with us here tonight. We appreciate your briefing the committee.

We'll move on to division 22, the Canada Labour Code.

You have a point of information, Ms. Nash?

**Ms. Peggy Nash:** I'm just looking at the time. We have two hours left for officials.

**The Chair:** That's correct.

**Ms. Peggy Nash:** And we're not even halfway through section D. I don't want to cut into the time of other witnesses. I would just like to test the committee. Is it possible to extend the time of our meeting with officials? I think most of us would be prepared; we could go tonight or tomorrow morning.

**Mr. Guy Caron:** Or Monday morning.

**Ms. Peggy Nash:** Monday is a holiday, but we might meet the following week after the break, Monday morning, just so we at least get the appropriate officials before us without cutting into other witnesses. We're limited enough in our time that we don't want to cut into other witnesses' time. It's just a question of whether we can get through.

**The Chair:** It's up to the committee. As chair, I've been operating under the guidelines of starting with witnesses on Monday. But if it's the committee's will, we could have officials on Monday instead of witnesses.

**Ms. Peggy Nash:** I don't want to cut into the time of other witnesses. That's why I thought we probably don't need a huge amount more time, but it would be helpful to be able to get through every section here with officials before we get into witnesses.

**The Chair:** Okay.

On this point, Ms. Glover, go ahead please.

**Mrs. Shelly Glover:** I just want to say that given the number of repetitious questions, perhaps the opposition might want to consider limiting the repetition of questions and limiting the questions that are really outside the scope of the BIA. That would gain them some time. This side has been very generous in providing extra time to the opposition. We are happy to stay an extra hour tonight, but many of our members will be leaving to go back to their ridings on late flights. So we have an extra hour tonight if the opposition would like to do that. But failing that, there won't be another opportunity, and tonight, according to the motion that was passed, is the last night to receive officials unless we cut into witnesses' time. So unfortunately, there is a time constraint, but an hour tonight would be available.

**The Chair:** Thank you, Ms. Glover.

On this point, Monsieur Caron.

[*Translation*]

**Mr. Guy Caron:** In fact, I suggest that we have another opportunity. That would be on the Monday following the week we spend in our ridings. We come back on Monday the 28<sup>th</sup>, don't we? That would be the first day with the witnesses.

[*English*]

**The Chair:** We have Monday, May 28, but I've been operating under the motion that instructs the chair to allocate 50 hours prior to clause-by-clause debate.

We've been operating under the suggestion that we have witnesses starting on Monday, May 28. If the committee wishes to change that and move the witnesses.... But in terms of adding hours, I think we'd need a motion to that effect or the consent of the committee.

[*Translation*]

**Mr. Guy Caron:** I suggest that, in addition to the extra hour this evening, at most three hours be scheduled for Monday morning after we return from the week spent in our ridings.

[*English*]

**The Chair:** I have Ms. Glover and then Mr. Mai.

**Mrs. Shelly Glover:** Again, Mr. Chair, this side has been more than generous and patient with the repetitious questions, with the out-of-scope questions. It doesn't sound like the opposition is willing

to concentrate and focus on the BIA to meet the obligations set out in the motion.

This side is willing to stay an extra hour, but that would be with the understanding that there would be no motions introduced, so that those members who can't stay, who do have flights, can leave. There would be no motions introduced, and we will not be agreeing to any more time than what has been suggested—the extra hour this evening—and then we will proceed as planned with the motion.

We've given most of our time to the opposition as it is, and we'll continue to be generous, but they have to do their part as well.

• (1845)

**The Chair:** Thank you.

Mr. Mai.

**Mr. Hoang Mai:** On the point of doing our part, if I recall correctly a couple of members from the other side were talking about their personal experiences. I won't go into details, but to be fair I don't think it's only the opposition that has been talking about fishing and personal stuff.

We have a budget implementation act that is fairly large, and you mentioned that there are a lot of things that are not directly related to finance. It has to be both ways. I don't agree with your position that it's only the opposition who is asking repetitious questions and things that are not relevant.

**The Chair:** Thank you.

Mr. Hoback.

**Mr. Randy Hoback (Prince Albert, CPC):** Thank you, Chair.

Mr. Chair, I've been silent all through these meetings on purpose, and that was to allow the opposition time to go through it. But I also want to let the opposition know that I did my due diligence beforehand. I thought about where I thought there would be areas of interest or questions.

I was paying close attention to my colleagues who were asking questions to ensure that if I didn't get one of my questions answered, or didn't have question addressed already by Mr. Jean or Ms. Glover or my other colleagues, I would address it. I have to say that I've been very happy with what I've seen as far as the questions that have come from this side are concerned.

I'd also like to remind members that this is not a hard read. This isn't a very complicated budget; it's fairly simple.

If you want to prioritize which officials should come forward before the end of the meeting, maybe you could give that list to the chair and the chair might be willing to prioritize those witnesses so you'd at least get the witnesses you want, instead of making all these officials sit here for the rest of the night.

You've got some options here. As I said, we've been very cordial and very understanding, but I expect you to do your own work.

I will back Ms. Glover who made the comment about repetition. We've seen repetition after repetition from that side of the committee. I don't buy this argument that you don't have enough time to do this or you don't have enough time to do that. You've had all the time in world to do your work; just be efficient in how you go about doing it, please.

**The Chair:** Thank you.

I have Mr. Brison and Mr. Marston and then Mr. Jean.

**Hon. Scott Brison:** Mr. Chair, just one division of this legislation reflected what was an independent piece of legislation in the last Parliament, Bill S-13. It was debated at the Senate, but it did not have any scrutiny by members of Parliament at committee prior to today. We devoted about 25 minutes with officials to the entire study of Bill S-13 at the parliamentary committee level. So that is hardly a matter of the opposition parties using excessive time or utilizing dilatory procedures. There has been scant parliamentary oversight and consideration of the legislation.

Frankly, I would challenge Ms. Glover or anybody over there to go through the questions that I've asked and find any evidence of repetition. You'll find questions about public policy. You'll find questions about the people we are elected to represent and to try to build good policy on behalf of them. You'll find questions based on significant research by our staff. So we have devoted the time and prepared for this. I would hope that all members of Parliament have done this and take it seriously.

But Ms. Glover's kindergarten school teacher routine and condescension toward opposition members, that "We [on the government side] have been so good to you, and if you could just behave, everything would go along much more nicely"—

**The Chair:** Mr. Brison, there is a point of order. As you know, the chair has to recognize a point of order.

Mr. Hoback.

**Mr. Randy Hoback:** On a point of order, Mr. Chair, if he has something to add to the debate or something of value to talk about, we would all be very interested in listening to it, but obviously he does not. He'd rather take the committee down a road that I don't think you want to go down. So please, let's get back to dealing with what the business is, and that's listening to witnesses.

**The Chair:** That's technically a point of debate.

I'd like to get to the witnesses. I'm just saying as your chair that the quicker we get to the witnesses the more time we will have with witnesses and officials. We can carry on this debate all night.

I have Mr. Brison to finish, then Mr. Marston, Mr. Jean, and now Ms. Nash.

I'll just say to members that the time we do this is time we take away from questioning witnesses, which, in my understanding, all of us want to do—

• (1850)

**Mr. Wayne Marston:** Mr. Chair—

**The Chair:** I'm just finishing my point, and then I'll go to Mr. Brison to finish his point, and then Mr. Marston.

**Hon. Scott Brison:** I say this respectfully, Ms. Glover. When you speak to us like children or people who have been pulled over for speeding and you tell us that somehow if only we could follow the rules, I would point out that we are following the rules. If you look at the questions I've asked, I think you will see very little repetition. You will see in fact public policy questions. They may be complicated, Shelly, but that doesn't mean they're repetitious.

**The Chair:** I would ask you, Mr. Brison, to make your comments through the chair. And let's endeavour to be respectful at all times.

**Mrs. Shelly Glover:** No kidding.

**Hon. Scott Brison:** I'm sorry, Shelly, your kindergarten school routine—

**The Chair:** Order, order.

**Mrs. Shelly Glover:** You ought to be sorry.

**The Chair:** Order, order.

**Hon. Scott Brison:** I know. Are you going to write me a ticket?

**The Chair:** Order. I'll just remind members that we are on television. We are being watched by our constituents and we should reflect that in the best manner possible.

We'll go to Mr. Marston, please.

**Mr. Wayne Marston:** Thank you, Mr. Chair.

Look, putting aside the personalities that are bubbling a little here, there's a certain tone of condescension that comes over about the amount of work that we put into this.

I'm sitting here with pages after pages of legitimate questions. Your government has put together a huge document of 400 and some pages. Part of our responsibility is to bring forward the concerns and questions we have, and to do that in a public forum, here, in front of Canadians. I'm not going to make any apology at all to anybody for doing the due diligence that's necessary on this.

**The Chair:** Okay, thank you.

Mr. Jean, please.

**Mr. Brian Jean:** Very briefly, Mr. Chair, I was just going to say that from my recollection, I think there was a proposed schedule or plan for of how we were going to study this. It was unanimous. I think it was unanimous, from my recollection of it. And if I can talk about it, I think everybody agreed to that project.

Did they not? Did we not all agree to it? I remember it was submitted around the table.

**The Chair:** My understanding is that the motion itself was not unanimous, but regarding our calendar—and members can correct me on this—all three parties instructed me as the chair to operate under the schedule proposed by Ms. Glover, once the motion had passed. There wasn't agreement on the motion, but there was agreement on the schedule. That's what my understanding was as chair.

**Mr. Brian Jean:** That was my point, Mr. Chairman. Thank you for that confirmation.

It was a unanimously agreed upon schedule. The motion wasn't, but the schedule was.

Why don't we get on with the business? We already know what our position is. We know what your position is. You've stated it. We have a witness who's sitting here patiently—and whom I hope, for her sake, is paid significant overtime to be here. We've been here 15 to 20 minutes. Could we get on with the business we're here to do?

Then at the end of the day, at 9:30 or 9:29, if you want to make your statement, I'd be happy to stay as long as you want. And I promise no more fishing stories, as long as you come up and go fishing with me, along with Mr. Mulcair.

**Voices:** Oh, oh!

**Mr. Brian Jean:** I'd appreciate that. We could sit on the beaches and eat some fish there. I think you'd enjoy that.

**The Chair:** Thank you.

We'll have Ms. Nash, please.

**Mr. Brian Jean:** I would just like a clarification. Is the extra hour we sit tonight, if that's the will of the committee, an additional hour? Is that correct?

**The Chair:** Yes. If the committee agrees to it, it would be an additional hour tonight.

**Ms. Peggy Nash:** All right.

**The Chair:** Can I just ask if the additional hour tonight is agreed to by the committee?

Go ahead, Mr. Hoback, on this point.

**Mr. Randy Hoback:** I just want to reconfirm that there will be no motions brought forward in this last hour.

**The Chair:** Do I have the agreement of the committee that there'll be an extra hour tonight, to 9:30, and there will be no motions brought forward by any member of the committee?

**Some hon. members:** Agreed.

**The Chair:** Look at how we all get along.

Ms. Duff, I apologize for making you sit there. We'll have you present an overview of division 22 on the Canada Labour Code.

**Mrs. Lenore Duff (Senior Director, Strategic Policy and Legislative Reform, Department of Human Resources and Skills Development):** Division 22 contains two elements. The first one consists of clauses 432 and 433, which amend section 115 of the Canada Labour Code, which in turn requires that unions and employers to file their collective agreements with the Minister of Labour.

There is currently no mechanism, short of prosecution, to ensure that the parties comply with this filing obligation. Once amended, section 115 will specify that parties must file their collective agreement with the minister immediately after it is entered into, renewed, or revised. It will also stipulate that a collective agreement may come into force only if at least one party has filed a copy.

Once the collective agreement is filed, its provisions will come into force on the day it would have come into force if not for the filing requirement, which essentially means that the provisions could apply retroactively.

These amendments will come into force on the date fixed by the Governor in Council.

● (1855)

**The Chair:** Thank you very much for that overview.

We'll have members' questions, starting with Ms. Nash.

**Ms. Peggy Nash:** First of all, thank you for waiting patiently for us tonight.

Can you just clarify for me the rationale for this change, and would the information filed be made public?

**Mrs. Lenore Duff:** There was always a requirement to file collective agreements, so the rationale for this was simply to try to encourage compliance with the measure. In the past, there have been some difficulties obtaining collective agreements from particular organizations.

There is a service at the labour program where people can seek information from collective agreements. It's contained in the Negotech system. There's a call centre. You can inquire about the provisions in collective agreements.

**Ms. Peggy Nash:** Those are all of my questions.

**The Chair:** Thank you, Ms. Nash.

[*Translation*]

Are there any further questions?

[*English*]

We'll have Mr. Brison, please.

**Hon. Scott Brison:** Just to clarify, this has no effect on the treasury? Audits in a budget implementation bill...

**Mrs. Lenore Duff:** Sorry, perhaps I should clarify that. This is a DRAP-related measure, a deficit reduction action plan related measure. Currently, someone is responsible in the labour program for making certain that the collective agreements that haven't been filed are tracked down, because it's a requirement in the Canada Labour Code. That person will no longer be required to do that and take those measures.

There is no cost in terms of the service, but with respect to the work, it will mean that the person can use his or her time on other things that labour program officials are concerned with.

**Hon. Scott Brison:** Thank you very much.

**The Chair:** Thank you.

Are there any further questions on this?

Thank you very much, Ms. Duff. We appreciate your time here tonight.

**Mrs. Lenore Duff:** I have a couple more.

**The Chair:** Oh, sorry.

**Mrs. Lenore Duff:** There's another part to division 22—and then I'm here for division 23, as well.

**The Chair:** Okay.

**Mrs. Lenore Duff:** The other part of division 22 is another amendment to the Canada Labour Code, unrelated to the first one. This amends part III of the Canada Labour Code to require federally regulated employers to insure, on a go-forward basis, any long-term disability plans they may offer to their employees. A transition period will be provided to ensure that employers have sufficient time to comply with the legislative change. As well, the maximum fines for offences under part III of the Canada Labour Code will be increased, and new graduated fine provisions that allow for higher fines for repeat offenders will be introduced.

**The Chair:** Thank you very much.

Could I ask you to do the overview for division 23, then, at this point?

**Mrs. Lenore Duff:** Yes.

Division 23 in the part IV of the bill repeals the Fair Wages and Hours of Labour Act, which was enacted in 1935. It stipulates that all persons employed by a contractor doing work on a federal government contract for construction, remodelling, repair, or demolition of any work, must be paid at least “fair wages”, defined in the act as “wages as are generally accepted as current for competent workmen in the district in which the work is being performed”.

The Fair Wages and Hours of Labour Act holds contractors financially responsible if any of their subcontractors fail to pay wages. This division would repeal the Fair Wages and Hours of Labour Act and, as a consequential amendment, remove reference to the Fair Wages and Hours of Labour Act in the Campobello-Lubec Bridge Act. It would also stipulate that rights and obligations acquired under an existing contract to which the Fair Wages and Hours of Labour Act apply will not be affected. Employers in the construction industry, who are provincially regulated, will continue to be subject to provincial or territorial employment standards, and occupational health and safety legislation.

**The Chair:** Thank you very much.

Any questions?

We'll start with Mr. Marston, please.

•(1900)

**Mr. Wayne Marston:** Your explanation is pretty good, but I'm a little bit troubled because any time it appears that the protections for someone are being removed.... So if a contractor bid, let's say, on West Block, just as an example, and they were to bring in workers who were paid half of what workers normally would be paid on that site, under the old legislation that would be corrected. Would that be the case?

**Mrs. Lenore Duff:** Under the old legislation, there would be wage schedules used to determine the fair wages for those employees.

**Mr. Wayne Marston:** So, if on that scale, it said that the wage should be 30% more than what they were paying, then there would have been an adjustment made to protect those workers. Would that have been the case?

**Mrs. Lenore Duff:** If that were the case, that would happen. I guess I would say that for construction workers who were unionized —

**Mr. Wayne Marston:** That's it—

**Mrs. Lenore Duff:** —typically the wage would be higher—

**Mr. Wayne Marston:** —and they'd have protection already.

**Mrs. Lenore Duff:** Right, and there are provinces that have provincial legislation stipulating wage rates in particular industries.

**Mr. Wayne Marston:** What I am concerned about is that if we're having work done in the precinct and somehow we could have substandard wages paid to people working there, it's troubling that we could say this is an acceptable practice. It appears, to me at least, that this is what's happening here.

What mechanisms would be available after this change to ensure fair working conditions for persons employed by the contractor? Is there anything after the fact, if this is enacted?

**Mrs. Lenore Duff:** I think the primary rationale for eliminating this is that it's duplicative. There is provincial and territorial labour standards legislation applied to these workers. In this instance, it's a federal standard that was established in the 1930s at a time when provincial labour legislation was much weaker. At this point, it's just establishing a layer on top of provincial and territorial legislation that duplicates much of what exists in provinces and territories now.

**Mr. Wayne Marston:** Yes, having been a Bell Canada worker for 20-odd years, I know that Bell Canada would be one of the groups that could be coming in to do work. So they'd be under federal jurisdiction as opposed to provincial jurisdiction, because of communications.

**Mrs. Lenore Duff:** Bell Canada is a federally regulated industry, yes.

**Mr. Wayne Marston:** So this act would be more important to them than it might be to someone else who is provincially regulated?

**Mrs. Lenore Duff:** Well, in this instance, this only applies to the construction sector, so typically it wouldn't apply to communications workers.

**Mr. Wayne Marston:** Quite often during construction, though, at the times when wiring is being run before the walls are put up and so on.... But anyway, I'm not going to take it too far, because I don't think it's necessary. I understand the point you've made, so I'll leave it at that.

**The Chair:** Thank you, Mr. Marston.

Are there any other questioners on this?

Okay, Ms. Duff, thank you very much for being here with us tonight. We appreciate your information.

We will now move to division 24, the Old Age Security Act, and ask those officials to come forward.

We welcome our officials here this evening to present to the finance committee, and I invite one or more of you to present and give an overview of division 24.

**Mr. Dominique La Salle (Director General, Seniors and Pensions Policy Secretariat, Department of Human Resources and Skills Development):** My name is Dominique La Salle—

[Translation]

I am Director General of Seniors and Pensions at HRSD.

• (1905)

[English]

—at HRSDC.

[Translation]

We are honoured to be with you this evening. I am here with some colleagues, Nathalie Martel, who is Director of Old Age Security Policy,

[English]

Ms. Annette Vermaeten, who is the director of the OAS task force; and Mr. Bruno Rodrigue, who is the chief of income security at the Department of Finance.

I will begin with a quick overview of the provisions under division 24, part IV, of Bill C-38, specifically clauses 445 to 467 of the bill, which amend sections of the Old Age Security Act.

[Translation]

This concerns three initiatives.

The first concerns the increase in the age of eligibility for Old Age Security.

[English]

Starting in April 2023 the age of eligibility for the OAS pension is proposed to be gradually increased by two years, from age 65 to age 67. In addition, the eligibility age for the allowances would be increased from age 60 to age 64, and be moved to age 62 to age 66 in parallel.

This age increase is being proposed with many years of advance notice to provide adequate time for Canadians to adjust. The change is preceded by an 11-year notification period, from now until April 2023. The actual change in the age of eligibility will then be phased in over a period of six years, from April 2023 to January 2029. The eligibility age will be increased by one month every three months—thus on a quarterly basis.

The change to the age of eligibility for the OAS program will not affect current seniors. Anyone aged 54 or older as of March 31, 2012, will not be impacted by the age increase. The government has announced that it would adjust programs under federal jurisdiction, since some programs use age 65 as a trigger for benefits. Such programs exist at Aboriginal and Northern Affairs Canada and at Veterans Affairs.

The government will also work with provinces and territories to fill the gap that this change would create for the Canada pension plan disability benefits and survivors' pensions. Finally, the government has committed to compensating provinces and territories for any net additional costs they may face resulting from the increase in the age of eligibility for OAS benefits.

[Translation]

The second initiative is voluntary deferral for Old Age Security pensions.

[English]

Starting in July 2013, a voluntary deferral for OAS pensions is proposed for introduction. This will provide eligible Canadians the option of deferring their take-up of their OAS pensions by up to five years past the age of eligibility, and for them to subsequently receive a higher actuarially adjusted pension. The voluntary deferral of the OAS pension will be available between the ages of 65 and 70, until the age of eligibility is increased, at which point it will start moving and gradually reach age 67 to 72 in parallel with the increase. The actuarial adjustment to the OAS benefit will be 0.6% per month, or 7.2% for a full year of deferral. Over five years, the maximum increase to the OAS benefit would be 36%, which would be paid to recipients for the rest of their lives and be fully indexed to the consumer price index, as are all OAS benefits.

[Translation]

Lastly, the third initiative concerns what is called proactive enrolment.

[English]

This initiative will allow the Minister of HRSDC to waive the requirement for an application, thus allowing for the introduction of automatic enrolment of seniors where the department has sufficient information to satisfy its integrity requirement. Where the available information is not deemed sufficient to automatically enrol a senior, the available information will be used to pre-fill the application form. We refer to this as a streamlined application process, which will make it easier for seniors to apply for the OAS benefit. This initiative will be implemented over a period of four years, beginning in 2013, and be fully in place in 2016.

[Translation]

Mr. Chair, that concludes my introduction.

If you wish, my colleague Ms. Martel can briefly explain the most important sections, the most important clauses.

[English]

or the more salient clauses involved.

[Translation]

**The Chair:** That's fine. Thank you.

• (1910)

[English]

**Ms. Nathalie Martel (Director, Old Age Security Policy, Department of Human Resources and Skills Development):** Do you want a clause by clause description? Sure.

**The Chair:** No. I think we'll just stop it there and then we'll go to questions from members, and then you can provide details in response to their questions.

**Ms. Nathalie Martel:** Okay.

**The Chair:** We'll start with Ms. Nash, please.

**Ms. Peggy Nash:** Thank you very much for being here this evening.

At the briefing for this bill, people were told that the full costing of the changes to OAS using the Social Policy Simulation Database or other types of econometric modelling had not been performed. Why has the government not costed this program change, when it is designed basically to reduce costs?

**Mr. Bruno Rodrigue (Chief, Social policy, Income Security, Department of Finance):** Just so that I better understand your question, is it on the cost of the program? I ask because we know the cost of the programs.

**Ms. Peggy Nash:** What is the cost of raising the age from 65 to 67, for example?

**Mr. Bruno Rodrigue:** There's no cost associated with doing that.

**Ms. Peggy Nash:** Then the savings?

**Mr. Bruno Rodrigue:** I think the minister addressed this question when he presented to this committee, and we don't have any further comments to make on that.

**Ms. Peggy Nash:** If the point of doing this is to make the program sustainable, how do you know it's sustainable based on this change of increasing the age to 67?

[Translation]

**Mr. Dominique La Salle:** Go ahead.

**Mr. Bruno Rodrigue:** In fact, the reason why this program is sustainable,

[English]

why it will become sustainable, is that it's estimated that there will be fewer workers at the time, and also that the number of seniors will be increasing.

In terms of the exact savings and the growing costs, we know that in 2030 the cost of the program will be \$108 billion.

**Ms. Peggy Nash:** You know the number of seniors and you just said that you know how many people this would affect, because we know these demographic numbers. So you must have done the calculation as to what that will mean in terms of people in the future not receiving OAS for those two years.

**Mr. Bruno Rodrigue:** Yes. The changes to the OAS program will ensure that the program remains sustainable over the long term and that it reflects demographic realities. In terms of additional information with respect to the estimated savings, the minister has addressed this question. We don't have any further comments on that, and it would be very difficult for me to provide comments or details on the content of briefings that have been prepared for the budget. However, if you have any questions specifically on the proposed amendments that are included in this bill, my colleagues from HRSDC have the expertise to answer these questions.

**Ms. Peggy Nash:** Could I make a request then? Could you do this analysis and provide it to our committee?

**Mr. Bruno Rodrigue:** Once the legislation has been tabled...this information from the Chief Actuary, the minister of HRSDC has to cause an evaluation report. At that time there will be an actuarial report on the program that will be tabled in the House of Commons.

Before that, as I said, it's difficult for us to provide any additional information.

**Ms. Peggy Nash:** In other words you're saying that once this is passed, then we'll find out the impact on Canadians. Is that what you're saying?

**Mr. Bruno Rodrigue:** I am here to provide responses to questions you may have on the proposed legislative amendments.

**Ms. Peggy Nash:** On the proposed change to OAS raising the age to 67 for future retirees, can you tell me what, in your view, the impact will be on seniors living below the low-income cut-off? Have you done that analysis?

**Mr. Dominique La Salle:** We know that the social safety net will be there, and we know that the labour participation of Canadians—

• (1915)

**Ms. Peggy Nash:** So just let me clarify that. Is it that they can go on welfare. Is that what you're saying?

**Mr. Dominique La Salle:** I'm saying that the social safety net is going to be there, but—

**Ms. Peggy Nash:** That would be social assistance, I would think.

**Mr. Dominique La Salle:** —perhaps more importantly, the number of senior Canadians age 65 to 69, for example, has more than doubled in the last 10 years for men and more than tripled for women. That's from Statistics Canada.

**The Chair:** Thank you.

The next round is a Conservative round.

Mr. Jean.

**Mr. Brian Jean:** Excellent. I thought Ms. Nash's line of questioning, when she let the witness answer, was really good and I'd like to hear more from the witness in relation to the specific numbers.

I was a bit shocked when you said the number of senior women has tripled and the number of senior men has doubled in the last 10 years. Obviously, if your customer base is doubling and tripling in a 10-year period, based on that trend I'd suggest that it wouldn't be very sustainable if they're receiving money from government.

Could you give us those figures, please?

**Mrs. Annette Vermaeten (Director, Task Force, Special Projects, Department of Human Resources and Skills Development):** I have a few figures that might be worthwhile to look at.

According to the labour force survey of Statistics Canada, a decade ago about 200,000 seniors were employed. Today it's over half a million. For young seniors, those age 65 to 69, it's even more pronounced; their employment rate has increased from 11% to about 23%. For women, the employment gains were higher. For men the increase has been slightly lower. There are a number of reasons. For example, people are living longer and healthier lives, the labour force is getting older, and seniors are choosing to remain in the labour force longer.

**Mr. Brian Jean:** Actually that's a very fair comment. I've heard from a lot of seniors that they want to participate in the labour force, but often when they've retired from certain jobs it's difficult to find something that adapts to their particular lifestyle. I know that we've addressed some of that through work-sharing and other things we've done in this budget and the last budget.

What about the number of seniors and those who are actually becoming seniors? My understanding is that each year in Canada, 100,000 people become seniors, though I'm not sure if I'm correct on that number. Is that correct?

**Mrs. Annette Vermaeten:** It's more than that. I think it's about 325,000 individuals who turn 65.

**Mr. Brian Jean:** So it's 10,000 per week, or pretty close to that.

**Mrs. Annette Vermaeten:** That's about right, yes.

**Mr. Brian Jean:** So almost 10,000 people in Canada are becoming seniors every single week.

**Mrs. Annette Vermaeten:** Between now and 2030, there will be about nine million individuals who turn 65.

**Mr. Brian Jean:** Nine million, over how many years?

**Mrs. Annette Vermaeten:** Between 2011 and 2030, so over the next—

**Mr. Brian Jean:** Nineteen years. Wow.

Have you forecasted—

**Mrs. Annette Vermaeten:** The expenditures for the OAS program are tripling and that's due to two main demographic factors. One is the increasing life expectancy, as people are living longer. Individuals who turned 65, let's say, in the 1970s lived for about another 16 years.

**Mr. Brian Jean:** Yes, the average age is—

**Mrs. Annette Vermaeten:** Right.

Today, an individual who turns 65 lives for about another 20 years. By 2030 it will actually increase to 22, another two years.

**Mr. Brian Jean:** That's great news. Hopefully, I'll last that long.

I'm also curious. The real number is the number of people who support the seniors. I've heard some figures, and I'd like to have those clarified now. What would the ratio be between the number of workers today supporting each senior compared to the number 10 years ago—if you have those figures—and then the number by 2030 doing the same?

**Mr. Dominique La Salle:** Just before my colleague jumps in and answers your question, sir, all the data that Ms. Vermaeten is quoting is found in the Chief Actuary's 9th report that was tabled in Parliament. We refer to working-aged Canadians in that report.

**Mr. Brian Jean:** Sure. That's great.

What were those figures?

**Mrs. Annette Vermaeten:** In the 1970s there were about seven working-aged Canadians for every senior. Today, there are about four working-aged Canadians for every senior and by 2030 that will be half, or about two working-aged Canadians per senior.

• (1920)

**Mr. Brian Jean:** So in essence we have a choice based on that. We either quadruple or multiply by seven the premiums that Canadians pay into this program.... That's in essence what we have to do: we either have to multiply it by seven or we have to find some other way to soften the impact on the Canadian worker and seniors generally.

Is that fair? Is it a balance?

**Mrs. Annette Vermaeten:** The demographics speak for themselves. It's clear that the demographics are putting pressure on the OAS program.

**Mr. Brian Jean:** Yes.

In essence, whoever supports that program has to pay more, which is Canadian taxpayers.

**Mrs. Annette Vermaeten:** It's completely funded through the general tax revenues.

**Mr. Brian Jean:** Exactly.

So they're going to have to take the money from somewhere in order put into that program, either from health care or whatever it may be. Is that fair to say?

**The Chair:** Could we have just a brief answer to that, please?

**Mr. Dominique La Salle:** It's paid for by taxes.

**Mr. Brian Jean:** I know that.

Thank you.

**The Chair:** Thank you, Mr. Jean.

We'll go to Mr. Brison, please.

**Hon. Scott Brison:** Thank you very much.

Mr. Rodrigue, I would like to clarify something. You said it is very difficult to provide us with the information prepared in briefings for the budget. But the information has been prepared, of course.

**Mr. Bruno Rodrigue:** I can't comment on that. It's a cabinet confidence.

**Hon. Scott Brison:** Section 69 of the Access to Information Act specifically states that the following is not covered by cabinet confidence. In fact, in the previous Parliament, the Speaker ruled that the government was in contempt of Parliament. Section 69 refers to,

discussion papers the purpose of which is to present background explanations, analyses of problems or policy options to Council

—meaning cabinet—

for consideration by Council in making decisions.

If the decisions to which the discussion papers relate have been made public, that is, once a decision has been rendered publicly, those discussion papers are no longer covered by cabinet confidence.

Has the cabinet made a public decision to raise the qualifying age of OAS from 65 to 67? I would like to confirm this.

**Mr. Bruno Rodrigue:** It was announced in the budget plan.

**Hon. Scott Brison:** Okay.

So you would agree, then, that background explanations and analyses of problems or policy options for cabinet are no longer covered by cabinet confidence once the cabinet decision has been made, based on section 69 of the Access to Information Act?

**Mr. Bruno Rodrigue:** I have no expertise in that area.

**Hon. Scott Brison:** You're a public servant, sir. This is the law of the land.

**Mr. Bruno Rodrigue:** Yes.

**Hon. Scott Brison:** You have a responsibility to know that.

**Mr. Bruno Rodrigue:** As I explained before, we're here to answer questions on the proposed amendments in this bill.

**Hon. Scott Brison:** Okay.

Were cabinet ministers provided with any background explanation or analysis of the cost savings to the government as a result of this?

**Mr. Bruno Rodrigue:** The Minister of Finance has already answered that question.

I have no further comment.

**Hon. Scott Brison:** The minister didn't answer that question actually.

I'm asking whether cabinet has been provided with the information and the background analysis of the savings to the government from this decision?

**Mr. Bruno Rodrigue:** My role is to answer questions related to the proposed legislative amendments in this bill and how they're going to work.

I have no further comments on the estimated savings if there are any.

**Hon. Scott Brison:** If there are any?

**Mr. Bruno Rodrigue:** I'm saying that the Minister of Finance was asked that question. He answered. I have nothing else to add.

**The Chair:** Point of order, Mr. Hoback?

**Mr. Randy Hoback:** Can you remind our colleague across the floor of the role of the department officials and the role of the minister? He is asking political questions, and it's not the role of the department officials to answer political questions. He seems to be badgering the witness more than getting on with the topic of the budget within part 4.

**The Chair:** Mr. Brison is asking about potential savings from OAS changes. I don't see that as a political question. He is asking whether there's background information prepared by any of the departments on that.

• (1925)

**Hon. Scott Brison:** Thank you, Mr. Chair.

If I were to fill out an ATIP request, could it capture information on how raising the age of OAS from 65 to 67 would change the projected costs for the government?

**Mr. Bruno Rodrigue:** Can you repeat that question?

**Hon. Scott Brison:** If I were to do an ATIP request, and the ATIP request were to ask for that information, would you provide it?

**Mr. Bruno Rodrigue:** It could potentially be excluded as a cabinet confidence under section 69.

**Hon. Scott Brison:** No. We've already covered that. Under the law of the land, section 69 of the Access to Information—

**Mr. Bruno Rodrigue:** That's your interpretation of the act. I take a different interpretation, although I'm not—

**Hon. Scott Brison:** What is your interpretation?

**Mr. Bruno Rodrigue:** I think information provided to cabinet in the preparation of the budget could be technically included as a cabinet confidence.

As I said, this is not my area of expertise.

**Hon. Scott Brison:** Let's work together on this. Section 69 of the Access to Information Act does not apply to cabinet confidences "if the decisions to which the discussion papers relate have been made public". So it is not a cabinet confidence once a decision—

**Mr. Bruno Rodrigue:** I cannot make that determination. I can comment on the information that was included in the budget plan and the legislative amendments that are proposed, but I have no comments on—

**The Chair:** Okay.

One minute, Mr. Brison.

**Hon. Scott Brison:** Mr. La Salle, you said that you're giving the public plenty of time to adjust. However, 38% of Canadians are making less than \$20,000 a year, and 40% of the people getting OAS are making less than \$20,000.

Are you saying to people who are 53 to just start saving a little more money to prepare for the future? What about those who are in physically demanding labour, such as fish plant workers, welders, or pipefitters? Should they just save more money?

**Mr. Dominique La Salle:** What I will say is that 11 years of notification compares very well with most countries that have implemented similar changes. Many countries in the OECD have implemented this sort of change.

**Hon. Scott Brison:** Are you familiar with the OECD report and the Parliamentary Budget Officer's report that says there's not a sustainability issue?

**The Chair:** Thank you, Mr. Brison. Unfortunately, your time has expired.

**Hon. Scott Brison:** Thank you.

**The Chair:** You'll have to come back in another round.

We will go to Ms. McLeod.

**Mrs. Cathy McLeod:** Thank you, Mr. Chair.

I noted my colleague was continuing to ask you about what is releasable and what's not. You indicated that you're not an expert. People who have been around government know that there are people who assess questions such as he has asked. Could you talk about ATIP and your department? I know you're not the one who is responsible for looking at the legislation and making decisions. Would that be an accurate...?

**Mr. Bruno Rodrigue:** No, that's not my responsibility.

**Mrs. Cathy McLeod:** So if a request comes in, it goes through the proper process. Every department has regulations and rules and procedures for—

**Mr. Bruno Rodrigue:** We have experts at the Department of Finance who work in close collaboration with counsel at the Privy Council Office to determine what is and what is not a cabinet confidence.

**Mrs. Cathy McLeod:** I appreciate that you said it would be inappropriate for you to decide from a small written paragraph what is releasable and what's not.

Thank you.

**The Chair:** That's it? Thank you, Ms. McLeod.

Do you want in on the same round, Mr. Jean?

**Mr. Brian Jean:** If possible, yes, Mr. Chair.

**The Chair:** Okay.

**Mr. Brian Jean:** Thank you. I'll be very brief, Mr. Chair.

I want to say, first of all, that with all these hours of work we're putting in, that is the best meal, and whoever ordered the fish did a great job. It's not a Clearwater River fish from northern Alberta, but it's not bad.

You missed those comments earlier, Mr. Brison, when I invited Mr. Mulcair to Fort McMurray to do some fishing. I'd invite you along to do the same, because you obviously don't know what pipefitters and welders make in northern Alberta. They make more money than you and I do in this job, Mr. Brison. So if you want to have that opportunity, you can come up.

**The Chair:** Make your comments through the chair, please.

**Mr. Brian Jean:** Can I have that on the record, please?

**The Chair:** Mr. Jean, have you any questions for the officials?

**Mr. Brian Jean:** No, thank you.

**The Chair:** Thank you.

We'll go to Mr. Marston, please.

• (1930)

**Mr. Wayne Marston:** Thank you, Mr. Chair.

Mr. Rodrigue, I understand you are in what we would refer to as a hot seat in some sense, because it's very clear from your responses to us that somebody someplace has coached you in the positions you have to take, and I appreciate where you find yourself.

Are you aware of the Parliamentary Budget Officer's opinion on the sustainability of OAS, and that the OECD's pension team had the same conclusions? Are you aware of that analysis, sir?

**Mr. Bruno Rodrigue:** I'm aware of that analysis, yes.

**Mr. Wayne Marston:** Do you agree with it, or do you not?

**Mr. Bruno Rodrigue:** As I said, I'm here to provide, with my colleagues from—

**Mr. Wayne Marston:** Okay, I'll accept that.

**Mr. Bruno Rodrigue:** I can provide explanations, answers on the bill that is—

**Mr. Wayne Marston:** That's fine.

**Mr. Bruno Rodrigue:** I'm not to comment on policy—

**Mr. Wayne Marston:** Okay, let's go into some numbers a little. I may not be absolutely precise on these, but currently, I understand, number one, this is old age security; this is not a pension plan. This was put in place for the poorest of the poor. You work with this every day, and I appreciate the work that is done for people.

I understand that about 2.16% of GDP is used today, roughly \$36 billion to \$39 billion, to pay OAS. Is that correct?

**Mr. Bruno Rodrigue:** Correct me if I'm wrong, but the expenditures on OAS today are \$38 billion.

**Mr. Wayne Marston:** As I said, it's \$36 billion to \$39 billion. It's going to go to roughly \$109 billion—

**Mr. Bruno Rodrigue:** To \$108.7 billion in 2030, yes.

**Mr. Wayne Marston:** We're pretty close, yes. That's roughly 3.1% of GDP.

What we hear in the conversations around OAS and sustainability is about the growth in population. We don't disagree with that. We just agreed on the figures. There is no problem there.

What we don't hear in the equation, though, is people talking about the incremental average growth in GDP that happens year to year, which leads us to believe that the OECD and the Parliamentary Budget Officer are correct, that it is sustainable as it is.

As well, changes will be made after 2017 to the Canada health and social transfer that will reduce the liabilities for the government. So there is more flexibility than what is being spoken to here.

What's important to us, and the reason we ask you to provide any of the materials of analysis that might have been used, is for us to be able to confirm whether we are right or wrong. It is very difficult for us sitting here when we get a witness who responds that he is limited in what he can say. In fact, it's very frustrating.

The government at one point told all departments they had to look for efficiencies. They had to save money to address the deficit, so that happened about a year and half ago, somewhere in that time range.

Prior to the government calling for deficit-fighting measures, was your department already looking at making this change from 65 to 67?

**Mr. Bruno Rodrigue:** I'm sorry, sir, I cannot speak to the intention of the government at any point except for what has been announced in the budget.

**Mr. Wayne Marston:** That wasn't my question. I was asking about your department, not about the government, not about an opinion. Was your department looking at this before? There is a reason for my question.

Could you give me a simple yes or no? If you're not aware of it, that's fine too.

**Mr. Bruno Rodrigue:** We are always looking at all programs and the potential changes in the projected expenditures, so generally, I'd say yes.

**Mr. Wayne Marston:** Okay, from my point of view, it sounds as if this was a move that had been in the works for a period of time and was added to the budget.

It's still quite troubling. Different methods of analysis may or may not have been used, and when we try to compare it to the OECD and to the Parliamentary Budget Officer and we can't even find out if those were used by your department, it's quite a struggle to make the ultimate decision that maybe you're right. Maybe the government is right, but we don't know that, and many people in Canada today are calling into question whether there is genuinely a need for this.

I guess ATIP is going to be the only way we'll find out.

Thank you, Madam Chair.

**The Vice-Chair (Ms. Peggy Nash):** Thank you.

Does anyone have any questions?

Ms. Glover.

•(1935)

**Mrs. Shelly Glover:** Thank you, Madam Chair.

Thank you for appearing here tonight.

I know that sometimes the questions are difficult ones. I have a specific interest in the proactive enrolment. I'm not sure if you even know this, and that's why I prefaced it. Some of them are tough questions. I'd like to know how many people who are eligible for OAS or GIS didn't get proactively enrolled and would now benefit from our proactive enrolment.

I guess it goes to Ms. Martel. Do you have that kind of information?

**Mr. Dominique La Salle:** Perhaps I should start before I let my colleague Madame Martel give you that precise information of the gaps and so on, and just explain what proactive enrolment is.

This initiative has two aspects to it. The bill would allow the Minister of HRSD to waive the necessity to submit an application. Right now, seniors have to submit an application. The minister could waive the necessity for an application where we have enough evidence that a Canadian has been in the country for  $x$  number of years, those basic requirements of the program. On automatic

enrolment, in its first phase, we will be looking at people who are turning 65, who have 40 years of contribution to CPP, and who are actually receiving the Canada Pension. These people will receive a notice about six months before they turn 65 informing them that "Here's the information we have on you. If you do nothing, you will start receiving your OAS benefit."

Given that we are also offering the possibility of deferring the benefit, seniors about to turn 65 will be able to indicate, "I don't want to receive it right now, I want to wait a little bit, accrue a larger benefit for the future, fully indexed, etc."

Because these are lifelong benefits, they are expensive to distribute, so you want to be sure you are getting the right amount to the right person at the right time. Where we don't have enough information to satisfy our rigorous integrity standards, we will use the information to pre-fill the application and send it. We estimate that in many cases all that will be required is a signature and sending it back.

We have automatic enrolment and we have streamlined application, if you like. Those two things are called proactive enrolment and they will be done in a gradual fashion. This is new for us. So we will start with a very, very high degree of certainty and we will develop the tools and the information exchange with the Canada Revenue Agency and Citizenship and Immigration Canada. To get the full benefit, you need to have been in the country for 40 years. That's why we use 40 years of contribution to CPP. Other people are eligible for the partial OAS who have lived here less than that. But we want to have the information exchange with the CIC for that purpose.

So there you are. I think I'll leave it at that, and my colleague will answer your question of how many people are not getting it, etc.

**The Vice-Chair (Ms. Peggy Nash):** You have about 45 seconds.

**Ms. Nathalie Martel:** Okay.

We expect that about 52% of new OAS clients turning 65 will benefit from automatic enrolment. In terms of numbers, we're talking about almost 200,000 people per year who will no longer need to fill in an application in order to receive their pension.

**Mrs. Shelly Glover:** Those are the ones who wouldn't have to fill out an application. But what about the ones who may not have been financially literate enough to know that they even had to do an application and were just passing their time, not knowing that they were entitled to a cheque? How many are there of those?

**Ms. Nathalie Martel:** We don't have a number for that particular group of people, but those who will be automatically enrolled are those people for whom the government has sufficient data available in order to put these people in pay.

•(1940)

**Mrs. Shelly Glover:** Thank you.

**The Vice-Chair (Ms. Peggy Nash):** Thank you, Mrs. Glover.

Monsieur Caron.

[Translation]

**Mr. Guy Caron:** Mr. La Salle, it is quite clear that you are walking on eggshells right now, but I would like to reassure you: I don't think you have broken any yet.

I would like to return to a point that Mr. Marston raised. Earlier you talked about one measure, the number of workers required to support a person receiving Old Age Security. Another measure also used by the chief actuary is the program cost based on GDP.

Do you know the difference between what we are currently paying and what we will be paying as a percentage of GDP, of the country's output, by 2030?

**Mr. Dominique La Salle:** Those figures are in the actuary's ninth report. Ms. Vermaeten has those figures.

**Mr. Guy Caron:** This is important because they indicate the weight of the program relative to what we can afford to pay.

**Mr. Dominique La Salle:** Yes, indeed.

[English]

**Mrs. Annette Vermaeten:** Off the top of my head, and I'll look at my notes to make sure, I think it's increasing. By 2030 it will be 3.14% of GDP, and today I think it's 2.4%. But let me verify that number.

[Translation]

**Mr. Guy Caron:** All right, let's say approximately 2.4% to 3.1%.

[English]

**Mrs. Annette Vermaeten:** Pardon?

[Translation]

**Mr. Guy Caron:** From 2.4% to 3.1%—

[English]

**Mrs. Annette Vermaeten:** Yes.

[Translation]

**Mr. Guy Caron:** —of GDP by 2030.

**Mrs. Annette Vermaeten:** Exactly.

**Mr. Guy Caron:** Can you tell me what will happen between now and then? I believe the chief actuary has a model that goes up to 2060.

**Mr. Dominique La Salle:** It goes further than that.

**Mr. Guy Caron:** It goes further than that?

**Mr. Dominique La Salle:** Yes, it goes further than that.

**Mr. Guy Caron:** According to the chief actuary, the program costs based on GDP will decline after 2030. We will have achieved —

**Mr. Dominique La Salle:** It goes further than that. We won't be there.

**Mr. Guy Caron:** Starting in 2030, it's—

[English]

**Mr. Dominique La Salle:** Yes, we'll all be there.

**Mrs. Annette Vermaeten:** It reaches its peak in 20—

[Translation]

**Mr. Guy Caron:** And subsequently?

[English]

**Mrs. Annette Vermaeten:** It reaches its peak and then it slowly decreases.

[Translation]

**Mr. Guy Caron:** Thank you.

The other question I want to ask is related to that. Using the calculation method that our colleagues opposite have used, that is to say the number of workers per person receiving Old Age Security, we may suppose that the number of workers will be lower in 2030. I'm not saying we'll eventually have to do nothing to adjust, but if we do nothing, based on that same figure, the number of workers will begin to rise relative to the number of people receiving Old Age Security, will it not?

**Mr. Dominique La Salle:** I'm not sure I follow you.

**Mr. Guy Caron:** The figure cited is that there are currently four workers supporting one person.

**Mr. Dominique La Salle:** By worker, we mean a Canadian of working age.

**Mr. Guy Caron:** Perfect. And that figure will fall to two in 2030.

**Mr. Dominique La Salle:** That's correct.

**Mr. Guy Caron:** At the peak of demographic pressure.

[English]

**Mrs. Annette Vermaeten:** That's correct.

[Translation]

**Mr. Guy Caron:** What would that figure be after 2030?

[English]

**Mrs. Annette Vermaeten:** The dependency rate remains at about two working-age Canadians per senior. The statistics I have in front of me indicate until at least 2050...and I don't have any information beyond that. But it stays steady at two working-age Canadians per senior.

[Translation]

**Mr. Guy Caron:** So program costs based on GDP would decline after 2030, but the number of workers supporting people receiving Old Age Security would not change.

[English]

**Mrs. Annette Vermaeten:** The percentage of GDP spent on the program starts to decrease slowly, and it reaches about the same level as it is today at around 2060.

[Translation]

**Mr. Guy Caron:** In 2060, yes.

However, the number of workers supporting those receiving Old Age Security would not change, even if program costs relative to GDP fell. I find it hard to understand.

**Mr. Dominique La Salle:** And I'm not following you. I apologize.

**Mr. Guy Caron:** There are currently two measures. The first is the number of workers supporting one person who is receiving Old Age Security. We won't go into the details; we are going to discuss this in general terms. The figure is currently four to one, and it will fall to two to one. What you're telling me is that this figure will remain at two to one until 2060.

**Mr. Dominique La Salle:** That's correct.

**Mr. Guy Caron:** We have another measure, program costs based on GDP. Those costs will peak as a result of demographic pressure and subsequently decline. Consequently, program costs will rise by approximately 0.5% or 1% of GDP until 2030. After that, those costs will decline as a percentage of our capacity to pay.

• (1945)

**The Vice-Chair (Ms. Peggy Nash):** Thank you, Mr. Caron.

**Mr. Guy Caron:** I would like to know how we arrived at these two figures, which are different. One of them indicates that the number of workers will not change.

**The Vice-Chair (Ms. Peggy Nash):** You have only 15 seconds left.

**Mr. Dominique La Salle:** Pardon me, but I don't understand the gist of the question.

[*English*]

**Mrs. Annette Vermaeten:** The percentage spent on GDP changes very slowly up until 2060. It's still around 3.14% until we reach basically around 2045. Then it starts to.... There are going to be differences. You're using different kinds of statistics but they both show the same pattern. It does decrease, but at a very slow rate, just like the number of seniors continues to increase over that time period.

**The Vice-Chair (Ms. Peggy Nash):** Thank you.

Mr. Jean.

**Mr. Brian Jean:** So if I understand it correctly—and I appreciate Mr. Caron's intervention in relation to this and his line of questioning—the cost in real dollar terms goes up. In fact I think it goes up three times, if I'm not wrong. It's very expensive.

**Mr. Dominique La Salle:** In nominal terms.

**Mr. Brian Jean:** In nominal terms it goes up. So it goes up three times what it is today, which is to what?

**Mr. Dominique La Salle:** It would be \$108 billion in 2030.

**Mr. Brian Jean:** Even the mike didn't like that. It squealed.

So that goes up almost three times. The percentage cost based on GDP goes up significantly, to....

**Mrs. Annette Vermaeten:** It's 3.14.

**Mr. Brian Jean:** From....

**Mrs. Annette Vermaeten:** From about 2.2 today.

**Mr. Brian Jean:** That's significant as well.

And the number of workers required to support people doubles as well. The amount needed doubles. So it goes from 4.1 to 2.1, or in essence it goes way down as far as supply goes.

It is a very significant thing indeed, and I appreciate your testimony here today.

Thank you very much.

**The Vice-Chair (Ms. Peggy Nash):** Thank you.

Monsieur Mai.

[*Translation*]

**Mr. Hoang Mai:** Thank you, Madam Chair.

Mr. Rodrigue, we understand your situation and we sympathize with you. On the other hand, when it comes to measures that make it possible to make a decision, everyone we have met to date has submitted figures to us. So, if I understand correctly, you have been instructed—and I am not asking you to tell me whether you know those figures—not to pass them on to us here today.

**Mr. Bruno Rodrigue:** What I can do today is answer your questions on the legislative amendments and the figures included in the budget.

**Mr. Hoang Mai:** As I explained, when we requested the costs of the measures that would make it possible to make a decision, all the officials we have met—

**Mr. Bruno Rodrigue:** Provided the figures are available.

**Mr. Hoang Mai:** Yes. So that means that these figures are not available.

Have you heard about the figure of \$10 billion to \$12 billion that the Hon. Jim Flaherty grudgingly confirmed?

**Mr. Bruno Rodrigue:** I saw the clips in which he said that on television.

**Mr. Hoang Mai:** Do you confirm that those figures are valid?

**Mr. Bruno Rodrigue:** I didn't come to testify today to talk about that question.

**Mr. Hoang Mai:** Once again, I'm sorry, but we want to get as much information as possible so that we can be in a position to make a decision.

**Mr. Bruno Rodrigue:** I understand very well.

**Mr. Hoang Mai:** Do you have an idea of the current per capita cost of the program?

**Mr. Dominique La Salle:** That information is in the actuarial report. We will have to find it.

**Mr. Hoang Mai:** Approximately what amount does that represent?

**Mr. Dominique La Salle:** We'll have to check.

**Mr. Hoang Mai:** Do you know what the per capita cost of the program will be once it is in effect? We were talking about the year when people would be 67 years of age. Do we have those figures 2029?

**Mr. Dominique La Salle:** The figures we currently have are those appearing in the actuarial report prepared by the chief actuary of Canada.

**Mr. Hoang Mai:** Do you have the figures for 2029.

**Mr. Dominique La Salle:** From the ninth report? Yes.

**Mr. Hoang Mai:** That includes the per capita cost?

**Mr. Dominique La Salle:** Yes, we have those figures.

**Mr. Hoang Mai:** I would appreciate if you sent them to us.

•(1950)

**Mr. Dominique La Salle:** All right.

**Mr. Hoang Mai:** In the meantime, I'm going—

**Mr. Dominique La Salle:** But here we are talking about the figures on the program as it was in 2009.

**Mr. Bruno Rodrigue:** And your question concerns the change?

**Mr. Hoang Mai:** That's correct. So you don't have those figures?

**Mr. Bruno Rodrigue:** No.

**Mr. Hoang Mai:** All right.

Ms. Nash asked you how many program beneficiaries there are. Do you also know how many beneficiaries there will be later, in 2029?

**Mr. Bruno Rodrigue:** Perhaps the projections for 2030 are available in the current report.

**Mr. Dominique La Salle:** Are you talking about the current design of the program?

**Mr. Hoang Mai:** I'm talking about the amended program.

**Mr. Dominique La Salle:** No, we have those figures.

**Mr. Hoang Mai:** Nothing has been calculated for that.

**Mr. Dominique La Salle:** The chief actuary is preparing that.

**Mr. Hoang Mai:** Perhaps Ms. Vermaeten could add something on this point?

[English]

**Mrs. Annette Vermaeten:** According to the chief actuary, in 2030 there will be 9.4 million beneficiaries for the OAS program. This is according to the ninth actuarial report.

**Mr. Hoang Mai:** And for the actual program, not for future programs.

**Mr. Dominique La Salle:** That's right.

**Mrs. Annette Vermaeten:** For the actual program.

**Mr. Dominique La Salle:** Currently.

**The Chair:** Mr. Marston, please.

**Mr. Wayne Marston:** Thank you, Chair.

I have a little bit of a struggle here, because we hear about the comparisons you've done, the study of the relationship between the costs and GDP, but we can't get to the place of understanding what the savings or costs are relative to this change.

Part of what we try to make our decisions on, at least on this side of the table, are the actual figures and the dollars and cents involved. Clearly, this is being approached from the standpoint of the government that they feel there's a need to protect this program by making this change, and thus they will save a certain amount of money.

Our job, on the other hand, is to look at the proposed amount of money they're saving and ask ourselves if it is valid, is it real, does it match what we're hearing elsewhere? We're pretty well handcuffed here if we can't get someone to tell us what those savings are. I'm not asking you this as a question; it's a comment. Somebody someplace visibly told you not to give this committee that information. That's very difficult to accept here.

With all due respect to yourself, I think you've conducted yourself very well here, and I don't mind saying that publicly. You've been put in a very untenable position in this, but it is very troubling.

We're talking about making a change for those two years. Anybody on Ontario disability when they reached age 65 would have gone to more money than they had a month, and now they'll have to wait an extra two years. The finance minister has said he'll cover the cost for the provinces, but these people will get less money than they would have done with the transition.

If you have somebody who is 59 years of age and has lost their job and can't get back to work and are on employment insurance and they run out of that and go onto welfare, in Ontario the municipality pays that. There are two years there where they would have gone from social assistance to a little bit better with OAS and GIS, if that's all they have in this world, but now they've got to wait two years.

When we talk about the cost to society, that's what we're talking about. The fact is that this offloading is more than offloading costs to the provinces, this has direct impact on the lives of those people. It puts us in an untenable position as well when we can't get the real figures. I guess you can appreciate the frustration on this side. We understand yours, sir.

I'll offer it one more time. You can't give us the savings cost of the transfer of the cost of this to the provinces—is that correct?

**Mr. Bruno Rodrigue:** As I said, the Minister of Finance has already answered these questions.

**Mr. Wayne Marston:** That's fine.

**Mr. Bruno Rodrigue:** I do have some information for you, though, on how it might affect low-income people.

The budget plan was clear that the government will ensure that those who are benefiting from certain federal programs that provide income support benefits that are aligned with OAS, that the...

**Mr. Wayne Marston:** I think I get the point of where you're trying to go. Let me jump in here for a second.

**Mr. Bruno Rodrigue:** Different income support programs will be aligned to make sure that nobody is falling into an income gap.

•(1955)

**Mr. Wayne Marston:** I've got an important question that's coming out of that. You're saying that the persons on Ontario disability... What I'm reading from what you're saying is that the government will supply the difference between what they get on Ontario disability—

**Mr. Bruno Rodrigue:** No, sorry.

**Mr. Wayne Marston:** Oh, they won't.

**Mr. Bruno Rodrigue:** No, I'm sorry. What I'm saying is that for federal programs over which the federal government has control, the intention is to address the income gap.

With respect to CPP beneficiaries of disability and survivor benefits, the government has announced—

**Mr. Wayne Marston:** Has decided to do something.

**Mr. Bruno Rodrigue:** Yes, will negotiate with provinces to ensure that the income gap is addressed.

**Mr. Wayne Marston:** But that's going to the provinces, not the individuals.

**Mr. Wayne Marston:** No, I understand that. I'm saying that the ones in the province who are on ODSP, Ontario disability, will not be getting more money until they're 67. That's the bottom line for them. Somebody on social assistance will not get it until they're 67.

Anyway, I appreciate your efforts. Thank you.

**The Chair:** Thank you, Mr. Marston.

We'll go to Mr. Jean, please.

**Mr. Brian Jean:** It's coming into play in 19 years, so it's going to affect people who are currently 48. Correct? It's going to extend it. It's going to be people—

**Mrs. Annette Vermaeten:** It is starting at age 50.

**Mr. Brian Jean:** Okay. For people who are paying taxes today, we have a choice. I guess we could up the taxes they would pay today to pay for the program in 19 years. Is that the only way?

**Mr. Bruno Rodrigue:** Can you repeat the question? Sorry.

**Mr. Brian Jean:** Well, it appears to me that since it's not coming into play for 19 years, the people who would have to increase payments would be the people who are actually going to receive benefits from it. It would have to be a tax increase today, in my mind, to—

**Mr. Bruno Rodrigue:** Yes, OAS is funded from general revenue. Therefore, if the costs increase, the government has to find revenues to pay for these costs.

**Mr. Brian Jean:** Then taxes have to go up. That's ultimately it. The taxes would have to go up for the people who are actually working today. I just wanted to be clear on that. It's not coming in for 19 years, so the only people who are going to be affected are—

**Mr. Bruno Rodrigue:** It will not be until 2029.

**Mr. Brian Jean:** Yes. Thank you.

**The Chair:** Thank you, Mr. Jean.

We'll go to Mr. Brison, please.

**Hon. Scott Brison:** Thank you, Mr. Chair.

The nominal dollar figure, the 2030 figure, is actually not as pertinent to this discussion as the percentage-of-GDP figure. In terms of affordability, as GDP grows government revenues grow, roughly commensurate with GDP growth. Would you agree with that?

**Mrs. Annette Vermaeten:** The chief actuary, when he produces his report, does everything in nominal dollars.

**Hon. Scott Brison:** If GDP grows and the tax base remains roughly the same in terms of the tax structure, does government revenue grow commensurately?

**Mr. Dominique La Salle:** We're not tax experts.

**Hon. Scott Brison:** Okay.

The percentage-of-GDP number you eventually provided to us, the 3.1% of GDP in 2030, you're saying is unaffordable and unsustainable at that point. What is the shortfall?

**Mr. Bruno Rodrigue:** I guess what we can say is that this—

**Hon. Scott Brison:** No, no, I'm just asking what the shortfall is.

**Mr. Bruno Rodrigue:** —increase in GDP was a factor. That's what the government announced in making this decision. No?

**Hon. Scott Brison:** What is the shortfall at 2030? What is the shortfall you project? What is the reason this program is unsustainable? There has to be a dollar figure.

I've actually been a minister. If you came to me and said, "Minister, we have a real problem with this demographic issue. It didn't exist in the last election. It's just popped up, and we have to do something very urgently from a public policy perspective", I would ask you what the dollar figure was. What was the shortfall?

If you came back to me and said, "Actually, the number of workers is going to be fewer and the number of retirees is going to be more", I'd say that this isn't a dollar figure.

**Mr. Dominique La Salle:** No, you're right, but these are all factors.

**Hon. Scott Brison:** If you just gave me a nominal figure, I'd say that it's not a percentage-of-GDP figure. What is the dollar figure for what you have to save by 2030 to make it sustainable? How unsustainable is it at 2030?

**Mr. Bruno Rodrigue:** It gets to the same question, on which I've said that I have no further comments.

**Hon. Scott Brison:** I'm going to go back to the good old days, when I was a minister and I could ask these questions of public servants. I was a very nice minister to my public servants, but I would ask difficult questions from time to time. The kind of question I would then ask is whether this change, from age 65 to 67, addresses it, and it's now sustainable. You're saying that....

● (2000)

**Mr. Bruno Rodrigue:** I cannot tell you what I have told or what my department has told the minister. I can talk about what the government has announced.

**Hon. Scott Brison:** I'd just remind you that we've heard from public servants from a variety of departments here tonight. In every case, we asked them what the effect on the fisc was, and they were able to tell us. You're the only—

**Mr. Bruno Rodrigue:** In this case, it's a long-term projection.

**Hon. Scott Brison:** Okay. That has an impact on the fisc and is pertinent to our discussions.

You're saying that it's not sustainable now, because there's a shortfall, but you won't tell us what the shortfall is.

**Mr. Bruno Rodrigue:** What I'm saying is that the Minister of Finance has already addressed this question, and I don't have any further comments on that.

**Hon. Scott Brison:** This is one of the most hilarious farces I've seen. I know what position you've been put in—

**The Chair:** One minute.

**Hon. Scott Brison:** —to be public servants and not to be permitted to tell Parliament the cost of the decisions being rendered that we're asked to vote on.

You have said that the chief actuarial officer will provide us with this information.

**Mr. Bruno Rodrigue:** The Minister of HRSD has to cause an evaluation and the chief actuary has to produce a report. Then the Minister of HRSD will table this report in the House of Commons.

**Hon. Scott Brison:** After we vote—that is the timeline of that.

**Mr. Bruno Rodrigue:** It's at their discretion.

**Hon. Scott Brison:** I just want to remind you, again—and I'm actually in the process of getting a printed copy to distribute to you—that if decisions to which the discussion papers relate have been made public, this is no longer a question of cabinet confidence. So if you're being asked by cabinet to not share this information, you're being asked effectively to break the law—

**The Chair:** Okay.

**Mr. Bruno Rodrigue:** I'm just saying that I—

**The Chair:** Point of order, Mr. Jean.

**Mr. Brian Jean:** You know we've heard this same line of questioning. We've heard information that the gentleman is obeying the law of the land, which is cabinet confidence. I'm sure Mr. Brison understands what it's like to keep a secret as a minister.

**Hon. Scott Brison:** Absolutely.

**Mr. Brian Jean:** In this situation an official has clearly indicated that he cannot share that information. There are other processes in place where Mr. Brison can ask for that, including ATIP and others, and he would receive the appropriate information if indeed it is legally able to be obtained. Otherwise, could he please stop badgering the witness?

**The Chair:** On this point of order, I have—

**Hon. Scott Brison:** That doesn't cut into my time?

**The Chair:** No, it doesn't, but your time is up, actually. I was being generous.

**Ms. Peggy Nash:** Can I get back on the speakers list?

**The Chair:** Okay, we'll go to Ms. Nash, please.

**Ms. Peggy Nash:** I would like one further clarification.

Back in 2007, in the March 20 budget, the minister promised to release a report later in the year that would provide a broad analysis of current and future demographic changes and the implication of these changes for Canada's long-run economic and fiscal outlook. That report has never been released. It was presumably conducted, because he said it had been conducted. It was conducted using our public dollars, and I'd like to ask you if you can provide this committee with that report.

**Mr. Bruno Rodrigue:** You said the Minister of Finance made that commitment in the budget?

**Ms. Peggy Nash:** Yes, it was in the budget.

**Mr. Bruno Rodrigue:** This is something we can look into. I don't have any information about it.

**Ms. Peggy Nash:** Okay. If that report exists, would you make it available to the committee?

**Mr. Bruno Rodrigue:** If the report exists, the government will have to make the decision whether or not it releases it.

**Ms. Peggy Nash:** Okay, thank you.

**The Chair:** Are there any other questions on this division?

Okay. I want to thank our officials for being here tonight. If there is anything further, please submit it to the clerk of the committee and we will ensure that all members of the committee get it.

Colleagues, I wonder if I could suspend for a few minutes and if I could talk just very briefly to Ms. Glover, Ms. McLeod, Ms. Nash, and Mr. Brison.

We'll suspend for about five minutes.

Thank you.

- \_\_\_\_\_ (Pause) \_\_\_\_\_
- 
- (2005)

**The Chair:** I call this committee back to order. We are going to do as much as we can tonight. We have a little less than an hour and a half.

We are moving to division 25, Salaries Act. We have officials here from PCO.

I welcome you to our committee and I will ask you to give a brief overview of this section. We will have questions from members after that.

We look forward to your remarks.

- (2010)

**Ms. Eileen Boyd (Assistant Secretary to the Cabinet, Senior Personnel, Privy Council Office):** Thank you, Mr. Chair.

Clause 468 of the Jobs, Growth and Long-term Prosperity Act will repeal section 1.1 of the Salaries Act, which provides for the establishment of the Public Appointments Commission, including its mandate and appointment provisions for the commissioners.

[*Translation*]

In 2006, authority to constitute the Public Appointments Commission was added to the Federal Accountability Act to take action on the commitment made by the government to increase the rigour and transparency of the Governor in Council appointments process.

Over the past five years, the government has significantly improved the rigour and transparency of the Governor in Council appointments process, particularly with respect to full-time and leadership positions. Dissolution of the commission and its secretariat would generate savings of approximately \$1.1 million under the fiscal framework during this period of fiscal restraint.

[*English*]

Given the progress the government has made in improving and strengthening the appointments system, it was determined that a separate body to review appointment processes was not the best use of public funds at a time when savings are being sought across the public sector.

Thank you, Mr. Chair.

**The Chair:** Thank you very much for your presentation.

We'll have questions from members.

[*Translation*]

We will begin with Mr. Caron.

**Mr. Guy Caron:** The secretariat had a specific role to play. For various reasons, however, it was never able to carry out its mandate. We could probably spend a lot of time discussing the subject, but I do not wish to do so.

In the secretariat's absence, how will the Governor in Council be able to make these appointments while achieving the objectives that the secretariat would have achieved? You mentioned transparency and a process that would lead to accountability and transparency.

**Ms. Eileen Boyd:** Thank you.

[*English*]

With respect to the appointment processes, I should first state that the Public Appointments Commission would not have made appointments. In fact the Governor in Council would have continued and continues to make the appointments we are talking about.

Over the past number of years the government has undertaken a number of measures to strengthen the appointment process. A couple of examples I can provide are that since 2006 we have a dedicated website where leadership positions and full-time positions are publicly advertised. We undertake recruitment and selection processes for these leadership and full-time positions. The government has increased the transparency of the appointment system using this dedicated website. It has also enhanced training and orientation for appointees. We have also provided strength and support, which the Privy Council Office does provide in making Governor in Council appointments.

[*Translation*]

**Mr. Guy Caron:** Are there any aspects that would have been included in the secretariat's operation that can still be used and others that will be lost? I am thinking more particularly of the transparency of the process used in appointing individuals.

[*English*]

**Ms. Eileen Boyd:** With respect to the elimination of the Public Appointments Commission and the closure of the secretariat that had been established to support an eventual commission, this will not have an impact on the government's commitment to make qualified appointments that are following rigorous, open, and competency-based selection processes. So a lot of the improvements that the commission would have made if it had been established have already been made. For example, as I mentioned, the leadership and full-time positions are publicly advertised. We have selection criteria that are identified. It's a competency-based process and we have a fairly rigorous process that we put in place.

Another example is for part-time positions. For example, on crown corporation boards there have been profiles developed for each organization that help ministers and officials determine what the skill sets are that are required by that board. These board profiles are posted on the public website. So when a vacancy comes up the board profile would identify what skills are needed in order to strengthen the board and the governance by the board, and these are

the profiles that are used now in order to identify what appropriate potential candidates the minister should be recommending to the Governor in Council.

Overall, I would say that there's certainly a lot more rigour and a lot more transparency in the appointments process, which is what the commission was originally established to achieve. So the government, in determining savings as part of this budget, determined that given the improvements and the savings that could be achieved, the elimination of the commission was appropriate at this time.

• (2015)

[*Translation*]

**The Chair:** You have one minute left.

**Mr. Guy Caron:** I'm going to let Mr. Mai continue.

[*English*]

**The Chair:** You can take this or you could have another round.

[*Translation*]

**Mr. Hoang Mai:** We have some figures here. This is interesting. We will save \$1,084,400 a year. How many jobs will be eliminated by shutting down the commission, the role of which is to see that government is more transparent and rigorous?

[*English*]

**Ms. Eileen Boyd:** With respect to the Public Appointments Commission, in fact since June 2011 the secretariat itself has not been operational. So as a result there are no actual employees of the commission. So in answer to your question, there are no individuals who are actually losing their jobs.

[*Translation*]

Do you want to know the number of positions?

**Mr. Hoang Mai:** Yes.

**Ms. Eileen Boyd:** According to the budget, there are approximately four people for the secretariat.

**The Chair:** Are there any other questions?

[*English*]

No? Okay. Thank you.

I want to thank you for coming in tonight. We appreciate your time and your presentation to our committee.

**Ms. Eileen Boyd:** Thank you.

**The Chair:** We will quickly move to division 26, which is the Seeds Act. It's on page 323 of the budget bill.

I want to welcome you to the committee tonight and ask you to make a brief overview of the amendments that are in the bill.

[*Translation*]

**Mr. Neil Bouwer (Vice-President, Policy and Programs, Canadian Food Inspection Agency):** Thank you, Mr. Chair.

I'm here today to describe the amendments to the Seeds Act proposed in Bill C-38, the Act to implement the budget.

First, I would like to say that these amendments will in no way reduce the effectiveness of Canada's food safety assurance system.

[English]

In general, the amendments would provide the legal authority to license private persons to carry out seed crop inspections in support of Canada's seed certification program. The amendments would also provide the legal authority for the Canadian Food Inspection Agency oversight of these persons. This would apply only to non-safety aspects of inspection. The Canadian Food Inspection Agency will not use private persons to fulfill any of its safety-related functions.

I'm prepared to go through clause by clause, if you wish, Mr. Chair, or, as has been the practice, I can just pause there and take questions.

**The Chair:** I think members would appreciate that practice.

We'll begin with Monsieur Caron.

[Translation]

**Mr. Guy Caron:** Thank you very much.

In fact, Mr. Bouwer, you say there is no impact. What are the costs and benefits of transferring inspection to the private sector? Ultimately, what savings does the government expect to make with this decision?

• (2020)

[English]

**Mr. Neil Bouwer:** This initiative is \$700,000 per year. It's a relatively small initiative.

[Translation]

**Mr. Guy Caron:** Where are you going to save \$700,000? Is it by transferring positions that are currently in the public sector to a private inspection business?

[English]

**Mr. Neil Bouwer:** The savings will result from the agency's having the flexibility to look at alternate arrangements with other providers that will be able to carry out the function. The savings that we foresee will be handled through attrition and other measures over time. We are taking the next while to further develop the proposal in its specifics. In general, we see this as a more effective way to deliver the program while maintaining the regulatory oversight role that CFIA provides.

[Translation]

**Mr. Guy Caron:** That doesn't entirely answer my question. I asked you whether the anticipated saving of \$700,000 comes from transferring activities from the public sector to the private sector.

[English]

**Mr. Neil Bouwer:** The savings would come from the alternate service delivery of the function, which would be performed by another party. That's correct.

[Translation]

**Mr. Guy Caron:** In the private sector. All right.

We can transfer them to the private sector, but what do the oversight and assurance mechanisms look like? Will there be a kind of monitoring of the quality of oversight that is done? Will there be monitoring in that area?

[English]

**Mr. Neil Bouwer:** Absolutely. The Canadian Food Inspection Agency would maintain its regulatory oversight role. Certainly when it comes to plant health, those functions would be retained by CFIA.

With respect to the other elements of crop inspection, like quality and grade, the Canadian Food Inspection Agency would maintain its ability to verify that the oversight role was being performed and that the alternate service delivery arrangement was effective.

[Translation]

**Mr. Guy Caron:** I have a final question for you. We are told that staff cuts will be achieved through attrition. Will that decision have an impact? I understand that there are two testing laboratories, one in Ottawa and the other in Saskatoon.

[English]

**Mr. Neil Bouwer:** This proposal does not relate to the laboratories.

[Translation]

**Mr. Guy Caron:** There will be no impact on the laboratories.

[English]

**Mr. Neil Bouwer:** This has nothing to do with any of the budget-related initiatives that might exist in other areas of the agency. I can't speak to those, but in this case the savings result from the alternate service delivery of the inspection function itself, and not the laboratories or any other functions within the agency.

[Translation]

**Mr. Guy Caron:** Thank you.

[English]

**The Chair:** Mr. Hoback.

**Mr. Randy Hoback:** Thank you.

It's nice to see you here, Mr. Bouwer.

I have a lot seed growers in my riding, and a lot of them have been asking for changes like this for quite a few years.

To clarify, these inspectors who will be going out and doing in-field inspection will be trained by the CFIA, is that correct?

**Mr. Neil Bouwer:** The CFIA will make sure that the inspectors are adequately trained. Whether they will be trained by CFIA personnel or not, I can't predict.

**Mr. Randy Hoback:** That hasn't been decided yet?

**Mr. Neil Bouwer:** The CFIA will make sure that adequate training is provided to the staff who undertake the inspection. That will be one part of our mechanism to ensure that the alternate service delivery arrangement is working.

**Mr. Randy Hoback:** With respect to cost, I understand this program was being subsidized by the taxpayer, that we were not actually getting the full cost of these inspections out of the producer or the seed grower.

**Mr. Neil Bouwer:** That's correct—it represents a cost to the taxpayer. These activities were not in a core mandate and did not relate to a core plant-health mandate. They were being subsidized. They were being covered by the taxpayer, and that's why there are savings in the proposal.

**Mr. Randy Hoback:** So this has no food safety issues at all. This is growing of seed or the certification of seed for reproduction, correct?

**Mr. Neil Bouwer:** This is an important point for people to understand. This proposal is not related to food safety in any way. Even within the plant health domain, it does not relate to the core or plant health responsibilities of the Canadian Food Inspection Agency. It relates only to quality measures for seed crops.

**Mr. Randy Hoback:** So this will allow the CFIA to put its resources more towards food safety and issues like that.

**Mr. Neil Bouwer:** In general, the Canadian Food Inspection Agency is placing great emphasis on those core mandates, and that is where it is investing its efforts. In all of the measures we've seen, we are redirecting our resources and redoubling the efforts in our core mandate. In this area, we find that the non-health-related areas are a lower priority. The higher priority are the plant-health-related and of course the food-safety-related mandates of the agency.

• (2025)

**Mr. Randy Hoback:** I think everybody around this table would agree that's where the priority needs to be.

Chair, I think I've had enough questions.

**The Chair:** Thank you very much, Mr. Hoback.

Mr. Brison.

**Hon. Scott Brison:** How many of the seed crop inspectors are included in cuts to inspection at the CFIA?

**Mr. Neil Bouwer:** Respectfully, I'm not sure I know how to answer that question. I would have to get back to you with that information.

**Hon. Scott Brison:** You don't know.

What's the producer feedback you're getting on these changes?

**Mr. Neil Bouwer:** In general, we are consulting in these areas. This is something we have had requests for in the past in terms of increased flexibility. I think the community wants to ensure that the integrity of seed crops is maintained, and we share that interest, but the producers are looking for flexibility in terms of how that is achieved, and this initiative seeks to allow for those flexibilities.

**Hon. Scott Brison:** Has there been a comparison of the authorized inspection results and those that were performed without formal legal authority?

**Mr. Neil Bouwer:** The Canadian Food Inspection Agency has conducted some small-scale pilots in this area, and we have had success with those pilots.

There is an alternate service delivery program for the inspection of seed crops of hybrid corn in Ontario and one for hybrid canola in Alberta. Those have been running for about 15 years. There was also a small pilot project for private soybean seed crop inspection, which was carried out in Ontario in 2011.

These small programs represent a small amount of the seed crops—less than 5%. Nevertheless, we have learned from those experiences, and this proposal seeks to formalize the legal authorities in those areas but also to build on the experience in those pilots.

**Hon. Scott Brison:** Could you provide the committee with the results of those comparisons?

**Mr. Neil Bouwer:** Certainly. If the member is interested, we can certainly provide whatever we can in terms of the results of those pilots.

**Hon. Scott Brison:** Thank you very much.

**The Chair:** Thank you.

There being no further questions, Mr. Bouwer, thank you very much for being with us here this evening. We appreciate your time and your responses.

We'll move to division 27, on the Statutory Instruments Act.

Welcome to the committee.

[Translation]

Welcome, Ms. Tassé.

[English]

We look forward to your opening remarks, and we'll have questions from members after that.

• (2030)

[Translation]

**Ms. Lynn Tassé (Director, Canada Gazette, Department of Public Works and Government Services):** Thank you, Mr. Chair.

I'm going to talk to you about two amendments related to the *Canada Gazette*. The *Canada Gazette* is currently published in print and electronic formats. Public Works and Government Services Canada proposes to publish the *Canada Gazette* solely in electronic format. Eliminating the printed copy would make it possible to save on printing and distribution costs, to avoid duplication of paper and electronic copies and to meet the government's commitment to sustainable development.

Dissemination of the information contained in the *Canada Gazette* is now more effectively achieved through electronic publication, which is easy to access, practical for readers and environmentally friendly. Consequently, the requirement to deliver copies of the *Canada Gazette* to senators and members of Parliament, or to sell it to the public, must be deleted from the Statutory Instruments Act.

**The Vice-Chair (Hon. Scott Brison):** Thank you for your presentation.

Are there any questions? Mr. Caron, you have the floor.

**Mr. Guy Caron:** I would like to ask a brief question.

What concerns me are the people who don't have access to the electronic version because they don't have a computer. However, there is still access to a library.

Are public libraries given notice that they may print the *Canada Gazette* on request? Is that regularly done and is it a way to ensure access?

**Ms. Lynn Tassé:** There is Internet access at municipal and public libraries. Printers are normally available at those locations. Users may print the page or pages they wish or photocopy the paper copy found in the library.

**Mr. Guy Caron:** Apart from senators and MPs, how many public subscribers are there?

**Ms. Lynn Tassé:** This year, we have 223 subscribers. The figure is falling from year to year. There were 1,466 subscribers five years ago. It's really in free fall. We lose subscribers every year.

**Mr. Guy Caron:** Thank you.

**The Chair:** Are there any further questions?

Thank you very much, Ms. Tassé.

[English]

Next, we will call officials from Industry Canada to discuss division 28, the Investment Canada Act.

Welcome to the committee. Thank you for being here late at night.

Thank you very much, Ms. Brady, for waiting around so long. I appreciate that.

Perhaps you have an opening presentation, an overview of the amendments, and then we'll go to questions from members.

**Mr. Gerard Peets (Senior Director, Strategy and Planning Directorate, Department of Industry):** Certainly. Thank you.

My name is Gerard Peets. I'm the acting director general at marketplace framework policy branch at Industry Canada. I'm here with Patricia Brady, who is the director of investment policy.

We're here to speak to division 28, which would amend the Investment Canada Act to do two things. The first is to improve transparency by allowing the Minister of Industry and the Minister of Canadian Heritage to publicly communicate more information on the review process. The second is to add an enforcement tool to promote investor compliance with undertakings or commitments that they provide as part of the investment review process.

Specifically, to improve transparency, the amendments proposed in clause 480 of the bill would allow the minister to publicly disclose the fact that he has sent a preliminary notice to an investor that he is not satisfied about the likely net benefit of the investment. He would also be able to publicly explain his reasons for sending such a notice, provided it would not cause prejudice to the Canadian business or to the investor.

With respect to enforcement, the amendment proposed in clause 479 of the bill would authorize the minister to accept security from investors for payments of any penalties that could be imposed by a court for a breach of undertakings.

**The Chair:** Thank you very much for that overview.

We'll begin members' questions with Ms. Nash, please.

**Ms. Peggy Nash:** I want to echo the chair's comment. Thank you for waiting around so long and for being here at the finance committee this evening.

The whole area of the Investment Canada Act, as you know, has been a subject of much public debate and concern in a number of

quarters. There have been some very high-profile situations that have highlighted that concern, probably most recently in the London area, with Caterpillar taking over the production of railway cars in the London area and then subsequently deciding to close down that facility. A lot of people lost their jobs. The technology that was in that facility moved south, and there was real concern that there were not conditions put on Caterpillar when they took over that plant to ensure the continuity of the investment in that community, which had been there for many years.

There are, of course, other high-profile situations, such as the Potash Corporation and the proposed takeover there, and prior to that, MacDonald, Dettwiler and Associates. Both of those takeovers were rejected. One of the areas that has been in the public debate is this interpretation of net benefit to Canada and what that means. One could argue that the situation at Caterpillar was definitely not in the net benefit to Canada, regardless of the application of the law, but there has been a concern about the lack of clarity.

So my initial question is why didn't these changes include the interpretation of net benefit to Canada so that this area would have been better defined for business, for communities, for all of those who have been concerned about these recent instances?

• (2035)

**Mr. Gerard Peets:** Thanks for the question.

I can certainly appreciate the spirit in which the question is being asked. My answers will be limited mainly to the actual amendments I came prepared to speak to, but I also can speak to what the net benefit test currently is and what the factors are that are considered by the minister in making the determination under that test.

I guess these amendments are really targeted amendments aimed, consistent with the existing act and the way it works, at increasing transparency and providing an additional enforcement tool.

If it would be useful, my colleague would be happy to speak to the net benefit test and what the factors are that the minister may take into account.

**Ms. Peggy Nash:** Just in the interest of time.... I'm familiar with what the factors are, but there has been a lack of clarity and a lack of consistency in the interpretation, and that's why there has been a call for better definition of net benefit to Canada.

Obviously you're not here to interpret why this was or was not included in these changes. But let me ask you, has there been any study done by Investment Canada as to options around better defining net benefit to Canada? Has any study been undertaken?

**The Chair:** There is one minute left.

**Mr. Gerard Peets:** One thing that has been done recently is the competition policy review panel that was done in 2008. My colleague Patricia could speak to what it said about the issue of the Investment Canada Act.

**Ms. Patricia Brady (Director, Investment, Insolvency, Competition and Corporate Policy Directorate, Department of Industry):** The competition policy review panel was struck in 2008. It was an expert panel, led by Red Wilson. The report they came out with also came out in 2008; it's often called the Wilson report. As part of their review of Canada's competitiveness, they reviewed the Competition Act and the Investment Canada Act and made recommendations on how the Investment Canada Act could be improved, mostly how it could be liberalized.

But they made a number of recommendations around how it could be made more transparent. Some of those recommendations were adopted in 2009 through amendments to the act that allowed for more communication of information about the review process. The amendments that are in this budget bill would build on the 2009 amendments to increase transparency.

**Ms. Peggy Nash:** But my question was, has there been any study or research done by the department on better defining net benefit to Canada?

**The Chair:** Make just a brief response, and then we'll move on.

**Mr. Gerard Peets:** I'm not aware of that.

**The Chair:** Thank you.

Ms. McLeod, please.

**Mrs. Cathy McLeod:** This is just a quick comment rather than a question.

I'm very appreciative of this particular measure. I know that there have been a number of circumstances in which the ministers have felt very challenged by not being able to disclose what's happening. I think parliamentarians have felt that frustration and Canadians have. So both the ability to disclose or publicly communicate and the ability to look at compliance issues I think should be welcomed by all.

**The Chair:** We'll go to Mr. Brison, please.

• (2040)

**Hon. Scott Brison:** Do you agree that foreign investors are prepared to do business in jurisdictions where rules are transparent and predictable?

**Mr. Gerard Peets:** That would seem to make sense.

**Hon. Scott Brison:** Yes. When the government killed the bid by BHP Billiton for Potash Corporation in Saskatchewan, the minister at the time promised to clarify the net benefit determination. The ongoing failure to do that seems to indicate that there may have been other reasons for that decision. But without a clear definition of what net benefit is, we're still subject to a lack of transparency and predictability for investors.

According to media reports, the C.D. Howe Institute says that the changes proposed fall short of bringing our investment policy into the modern era because of problems with the interpretation of net benefit. I think the biggest deficit is around the interpretation of net benefit, or alternatively, the definition of it.

Given that the net benefit has been central to the review process under the Investment Canada Act, why have we still not clarified the meaning of net benefit?

**Mr. Gerard Peets:** Certainly net benefit is central to the review process under the Investment Canada Act. I could reiterate my offer of going through what the factors are in current law.

**Hon. Scott Brison:** But there's still a lot of subjectivity in the determination of net benefit.

**Mr. Gerard Peets:** The net benefit factors are.... Perhaps I'll let my colleague speak to them. She has her notes ready.

**Ms. Patricia Brady:** The factors are set out in the Investment Canada Act. They are in section 20; there are six of them.

I see you nodding, so I needn't go through them.

I would suggest that these amendments will provide more clarity on how those factors are interpreted, in that they'll give more insight into the decision-making process and will allow the minister to communicate when he has sent an investor a notice that he's not satisfied of net benefit and why, provided it won't cause commercial harm.

These again build on amendments that were made in 2009 that allowed the minister to publicly disclose reasons for denying transactions.

In that way they will provide insight into the interpretation of the net benefit factors.

**Hon. Scott Brison:** Thank you.

**The Chair:** Could I just ask, for the record, Ms. Brady, that you list them so that we have on record what the factors are?

**Ms. Patricia Brady:** Certainly I will.

Again, it's section 20 of the existing Investment Canada Act. The factors that the minister must consider are the impact of the investment on the level and nature of economic activity in Canada; the degree and significance of the participation by Canadians in the investment; the impact of the investment on the productivity, efficiency, technological development, product innovation, and varieties—all of those things; the impact of the investment on competition in Canada; the compatibility of the investment with national industrial, economic, and cultural policies, including those of the provinces likely to be significantly affected by the investment; and Canada's ability to compete in world markets.

Those are explicitly set out. I'm paraphrasing a little bit, but they are in section 20 of the Investment Canada Act.

**The Chair:** Just to emphasize this point, which Ms. McLeod raised, what you have said is that the minister will be able to state that he or she is not satisfied and why he or she is not satisfied. It will obviously be against the backdrop of the criteria you just outlined.

So actually parliamentarians on all sides will be able to have a fairly good understanding of where the minister sits in terms of the decision-making process and why the minister is at that point in the decision-making process.

Mr. Peets.

**Mr. Gerard Peets:** The only thing I would add to that is that the reasons would only be disclosed to the extent that they don't harm the commercial interests of the Canadian business or the investor.

**The Chair:** I see that in the amendment clearly, but clearly all of us as parliamentarians would have a much better understanding as to why a minister is making a decision and the reason for the decision that is ultimately made.

• (2045)

**Mr. Gerard Peets:** Yes.

**Ms. Patricia Brady:** That's the intent.

**The Chair:** Thank you.

I have Mr. Marston.

**Mr. Wayne Marston:** I welcome you here today.

You are probably aware of the U.S. Steel purchase of Stelco in Hamilton and the complicating factors that occurred in that particular situation. The promise was that certain levels of employment would be kept, and that didn't happen. There was a court case. The government ultimately seemed to collapse in the court case. I'd have to know more detail to really prejudge that one. But for the people involved in that, it was the fact that they couldn't access the terms of the deal, that the government wouldn't release them to them so that workers would have an understanding. In fact they got a copy of the deal because of a lawsuit in New York State.

In 2010 Parliament voted unanimously on an NDP motion identifying some of the serious problems relative to the Investment Canada Act. I would suggest, and I'm not asking you for a political commentary here, that the government, by voting with the opposition, at least gave the impression that it was committing to in due course make some changes to the investment act, and we don't see them here in Bill C-38. They certainly don't live up to the promise that we thought would be there.

Do you have any thoughts as to why there are no specific amendments that would address the situation the government was in during that particular deal and also to allow for public hearings to allow input from people? The minister is making the determination of the value to Canada, but you would think that part of that might involve hearing from the people involved.

If you could, answer please.

**Mr. Gerard Peets:** I certainly appreciate the question and that there's an understanding I can't speak to political issues. I also would have to say respectfully that I can't speak to individual cases or examples out there.

I can touch on the point with respect to public information and how the Investment Canada Act operates with respect to the issue of confidentiality.

Under section 36 of the act, all information that's obtained with respect to a Canadian business or a non-Canadian investor in the administration or enforcement of the act is privileged and can't be disclosed.

There are limited exceptions to this general restriction. For example, the minister may disclose that an application has been filed,

provided that doing so doesn't prejudice the investor or the Canadian business.

The basic policy reasoning for this is to provide an environment that's conducive for investors to provide the information that's needed to conduct the reviews and to prevent commercial harm that could come from its disclosure—

**Mr. Wayne Marston:** Sorry to interrupt you, but we have a reasonable handle on that side of it. What we're looking for here is maybe you could offer an opinion. In essence, what we're talking about is increased disclosure.

Our belief is that increased disclosure puts that much more pressure on the parties, but particularly on the company involved, to keep to the arrangement. I won't ask you to comment on the situation. I have made enough comments on it myself to make it clear to anybody watching. But my question still is, do you think increased disclosure would give more strength to the act?

**Mr. Gerard Peets:** These amendments do provide for increased disclosure in the sense that—

**Mr. Wayne Marston:** Aspects of them do, I agree with you, but I'm really talking about the arrangement between the purchaser and the government. What measures are there to hold the purchasers accountable should they default or not follow through on their commitments?

**Ms. Patricia Brady:** We call the commitments “undertakings”. There are provisions in place now for the enforcement of undertakings. The minister can issue a demand when he is not satisfied that the commitments are being upheld. Then he can make an application to a court, as he did in the U.S. Steel case, to compel the investor to comply with the undertakings.

There's another amendment in this bill, in clause 479, that is intended to promote compliance with undertakings. It would allow the minister to accept a security along with the undertakings he accepts from investors, and that security would be realizable in the event that an investor breached his undertakings and court-ordered penalties. There is something in clause 479 that would address some of the concerns you're raising.

• (2050)

**The Chair:** Thank you.

Thank you, Mr. Marston.

I have Ms. Nash on the list.

**Ms. Peggy Nash:** Thank you very much, Mr. Chair.

Just to go back to some of the concerns that have led to calls for strengthening the Investment Canada Act, something that captured national attention, which has already been mentioned, was when there was a proposed takeover of the Potash Corporation, and the minister made a decision to block that takeover.

Subsequently, very shortly afterwards, there was an NDP motion put forward in the House of Commons. I want to quickly read it. This was in 2010, and that motion reads:

That, in the opinion of the House, since the recent takeover bid for Potash Corporation raises concerns about the adequacy of the foreign investment review process under the Investment Canada Act (ICA), the Government of Canada should take immediate steps to amend the Investment Canada Act to ensure the views of those most directly affected by any takeover are considered, and any decision on whether a takeover delivers a “net benefit” to Canada is transparent by: (a) making public hearings a mandatory part of foreign investment review; (b) ensuring those hearings are open to all directly affected and expert witnesses they choose to call on their behalf; (c) ensuring all conditions attached to approval of a takeover be made public and be accompanied by equally transparent commitments to monitoring corporate performance on those conditions and appropriate and enforceable penalties for failure to live up to those conditions;

That motion was adopted unanimously in the House of Commons. That was two years or a year and a half ago, maybe. Clearly, these changes have not lived up to the motion passed by the House of Commons.

In your opinion, if there were hearings where members of the public were able to express their opinions, people from a community that might be affected, people who work in a given workplace, would such a change strengthen the Investment Canada Act?

**Mr. Gerard Peets:** Such a change would certainly change it. It would change the aspects of it that relate to commercial confidentiality I spoke to earlier.

What I can do is just restate the idea, which is that the confidentiality provisions are there to provide an environment that is conducive to investors providing the information the minister would need as part of his review under the Investment Canada Act. They are also to protect from harm that could come from the disclosure of confidential information that relates to Canadian businesses or investors.

**Ms. Peggy Nash:** I guess the concern is that there have been thousands of foreign takeovers. And many hundreds of thousands of jobs have been lost, not all because of takeovers, obviously, but some through foreign takeovers. Some of the people most directly affected, the people in communities, the people in these workplaces, have no rights when it comes to that takeover.

There are not proprietary interests only. There are the interests of people who are directly affected and whose jobs are at stake. I guess I find it strange that they're not involved in this process. Yes, investors are affected, but the people who work in these facilities have a direct stake in what happens when there's a foreign takeover.

• (2055)

**The Chair:** You have 30 seconds for a short response.

**Ms. Peggy Nash:** Is the human impact of these takeovers a factor Investment Canada has been considering?

**The Chair:** Go ahead, Ms. Brady.

**Ms. Patricia Brady:** Well, when I listed the net benefit factors earlier, one of the factors is the impact of the investment on employment levels in Canada and the participation of Canadians in the Canadian business that persists after the investment. So I would suggest that it is a consideration as part of the net benefit test.

In terms of consultations, the affected provinces are consulted regularly as part of the review process as well.

**The Chair:** Thank you.

We'll go to Ms. McLeod, please.

**Mrs. Cathy McLeod:** Thank you, Mr. Chair.

To use some of the suggestions made by my colleagues earlier, this is a budget implementation act, and therefore it is focused on jobs and long-term prosperity and growth. I think what the opposition is alluding to are complex and large changes to an act that of course Industry Canada would be tasked with. Again, I want to look at these changes in the context of transparency and the accountability of companies. They're important changes, but those bigger questions are not left to this particular committee.

My colleague wanted to make a few comments also.

**The Chair:** Ms. Glover.

**Mrs. Shelly Glover:** Thank you, Mr. Chair.

I took special note of the amendment you described involving acceptance of securities. The amendment is that a provision will be added to authorize the minister to accept security offered by an investor or penalties will be ordered by a court in the event of a contravention of the act.

Having said that, can you provide us with a real-time example of this and tell us what the benefits are of having this new amendment?

**Mr. Gerard Peets:** In terms of providing an example, this is a new measure. It's like what kind of security.... That's not specified in the text.

**Mrs. Shelly Glover:** Can you think of an example where this amendment would have benefited the situation? Is there a real example you can think of where the absence of this unfortunately wasn't helpful?

**Ms. Patricia Brady:** Without commenting on specific cases, which we can't do, I can say this is a measure that's intended to promote compliance. It's intended to promote compliance before a breach.

I would suggest that in cases where there were breaches, perhaps that wouldn't have happened if these compliance measures had been in force. Again, they are intended to promote compliance from the outset and to prevent breaches.

**Mrs. Shelly Glover:** I don't want you to violate the privacy or confidentiality of the cases, so I appreciate that.

Thanks for the explanation.

**The Chair:** I want to thank both of you for coming and for staying this late. We appreciate your being here and giving us your comments on this section. Thank you.

We'll bring in the officials from the Department of Public Safety for division 29, which is the Customs Act, on page 326 of the bill.

Welcome to the committee. Please give us a brief overview of these changes in the bill, and we'll have questions from members after that.

**Mr. Andy Lalonde (Manager, Preclearance, Canada Border Services Agency, Department of Public Safety):** Thank you, Chair and committee members.

The CBSA is looking to make three additions or amendments to the Customs Act to address a situation called “mixed traffic corridors”. Mixed traffic corridors occur when we have to move an office farther inland from the Canada-U.S. border and it causes the mingling of domestic traffic in Canada with traffic coming from the United States into Canada.

In the long term, we want to be prepared for a situation like that, which we're calling an “extenuating circumstance”. It doesn't happen every day, but a flood, fire damage, or a spill at one of our locations could cause us to have to move the office inland. We have a short-term need, and I'll explain a little later what that is.

There are three sections that we're proposing. The first section would provide the minister with the authority to direct a portion of the public roadway—not the entire roadway—or other right of access leading directly from the Canada-United States border to a designated customs office. That designation is required when there is no sterile corridor leading directly from the border to the customs office and persons arriving in Canada from the United States are comingled with domestic persons before they actually reach our office.

The second section would obligate all persons travelling within this mixed traffic corridor, which would mean international travellers as well as domestic travellers, to briefly report and advise the officer whether they are travelling domestic or arriving from the United States.

The third section would provide us with the enforcement authorities that we require. The previous section that requires travellers to report to us engages all our authorities that we currently have to deal with international travellers. That means stopping impaired drivers, stopping people for wants and warrants, and stopping people for abducting children—it means all of that. Currently, we don't have much authority to do that with domestic travellers. These three sections would provide us with the authority to do our job every day the way we need to do it.

We appreciate that it might sound a little harsh to be questioning domestic travellers, but unfortunately we have not found another solution when we encounter a situation where we have to move an office inland and we are co-mingling traffic. We've found no way other than to shut the border down, which is not the best thing to do.

We had to do that for six weeks a few years back at the Cornwall-Massena crossing. There were great economic impacts on the area, not to mention social impacts. People who live in border communities don't really recognize the border, because they use it daily to commute to work, visit friends, and do all sorts of other things. There was a lot of hurt that went on for six weeks when we had to close it down. We don't want that to happen again. These three sections would prevent that from occurring.

• (2100)

**The Chair:** Thank you very much for those remarks.

We'll hear from Mr. Marston first.

**Mr. Wayne Marston:** The Minister of Public Safety has a counterpart in the U.S. Would he have a corresponding set of empowerments that would allow him to do the same type of designating?

**Mr. Andy Lalonde:** It's not exactly the same, but the United States Border Patrol has an authority that we in Canada don't. They have the ability to stop traffic that is near the border and do questioning, which is similar to this but not exactly the same. We do not have the authority to stop traffic close to the border.

**Mr. Wayne Marston:** How many crossings would this affect?

**Mr. Andy Lalonde:** This was in response to the problems we had at the Cornwall-Massena crossing. The sections would be put in the act in case this ever occurs again. We learned from that occasion that we weren't prepared for a situation where there was an emergency or a very unusual circumstance that would force us to move an office inland. The sections would prepare us to deal with that situation.

**Mr. Wayne Marston:** I suppose we must have some crossings that are in low-water plains where there is a potential for flooding.

**Mr. Andy Lalonde:** We do out west, particularly along the Red River.

**Mr. Wayne Marston:** It hasn't happened to date.

**Mr. Andy Lalonde:** We have closed some down, but fortunately the floods receded quickly and weren't significant. If they went on for more than a few days and we had to relocate, we'd want to be able to do that and have the same authority we have today.

**Mr. Wayne Marston:** Thank you.

Thanks, Mr. Chair.

**The Chair:** Thank you, Mr. Marston.

I have Ms. Glover, please.

**Mrs. Shelly Glover:** Thank you, Chair.

I would like you to perhaps inform us, when you talk about only having to use the new designated authority in exigent circumstances—like the flooding, etc., that you listed—on average over maybe the last ten years, how often has that situation presented itself, the extenuating circumstances where this would have been a nice-to-have authority?

• (2105)

**Mr. Andy Lalonde:** The flooding has been the most prominent one out in the Red River area, and in New Brunswick we've had a few offices we've had to close down.

As I said, fortunately the floods receded without interfering too much. The one big one we're facing now, which has gone on for almost 34 months now, is the Cornwall-Massena crossing.

**Mrs. Shelly Glover:** When you say the Red River, was Emerson affected?

**Mr. Andy Lalonde:** Yes.

**Mrs. Shelly Glover:** I'm from Manitoba, and I had heard about some of these problems. I know that in Manitoba it's something that would be important to see happen. Aside from the flooding at the Red River, how many times have you had that happen in about ten years?

**Mr. Andy Lalonde:** It's happened a number of times. I can't tell you exactly. But the fortunate thing is that they had Emerson east and west at the time, and they're not all that far apart, so they were able to double up the traffic there.

**Mrs. Shelly Glover:** Sure.

**Mr. Andy Lalonde:** In the case of something like this occurring at one of our major ports of entry, where we're getting a truck in Windsor every seven seconds, for example, without the ability to move it, it would be devastating not only to the local economy but the Canadian economy at large, because most of our products that come by truck come in through Windsor. So it's a preventive thing. It's something we need to have in place.

We learned from our lesson in Cornwall-Massena, and we don't want to have it happen again.

**Mrs. Shelly Glover:** I appreciate that, because as everyone knows, the budget is really focused on economic growth and protecting jobs and so on and so forth, and this could actually damage that.

I am also curious. For 30 months, the Cornwall location really hasn't had to use the new measures. Has there been a lot of push-back there for stopping people without technically having a real authority to do so?

**Mr. Andy Lalonde:** It's been questioned. One of the communities that is at the Cornwall-Massena crossing is the Mohawk community. Community members account for a large percentage of the traffic that goes through the Cornwall-Massena crossing. The geography is quite unique there—you have parts of Canada that are actually located in New York State that are part of the reserve. So they commute between Canada and the U.S. a lot.

They've been impacted by this a little bit because they have to come to us and report in the city of Cornwall, and then return back to Cornwall Island. They've been a little upset.

The problem is that we haven't been able to come up with another solution other than to close it, so they've been somewhat understanding.

**Mrs. Shelly Glover:** Will this help fix that frustration?

**Mr. Andy Lalonde:** Not particularly, no. It will provide us a legal foundation so that we can have all of our authorities to act appropriately, because currently we don't.

**Mrs. Shelly Glover:** When I sat on the public safety committee, we did a study, and there were some Mohawks who actually wanted to see more security, more checks, because there is a problem with goods and services, unfortunately some fraud and some illegal activity regarding the transport of goods and what not. So I know that in that aspect I would think that would satisfy some of the Mohawk people who want to see some more security measures in that area.

Am I correct to think that, given these measures?

**Mr. Andy Lalonde:** Absolutely. This isn't to pick sides with the smugglers or the residents who are all law-abiding people in the majority. It's one of those situations where Cornwall is somewhat unique because of the description you've just played with—cigarette smuggling and people smuggling, quite frankly. Cornwall actually

ranks fifth of the top thirteen highest-risk ports of entry that we have in the country. That's pretty significant for a location that only processes approximately 1.6 million, while a place like Windsor processes 12 million a year. So it's a pretty significant place.

We have to be there to protect the Canadians, and we have to be there to protect and do our job.

**Mrs. Shelly Glover:** And to protect the aboriginals as well—

**Mr. Andy Lalonde:** Absolutely.

**Mrs. Shelly Glover:** —and make it safe and secure, and make this process transparent.

**Mr. Andy Lalonde:** Yes.

**Mrs. Shelly Glover:** I appreciate that. Thank you.

**The Chair:** Thank you, Ms. Glover.

Mr. Brison, do you have any questions?

**Hon. Scott Brison:** No, thanks.

**The Chair:** Mr. Hoback, please.

**Mr. Randy Hoback:** Thank you, Chair.

I have just a quick question. For a port of entry, if all of a sudden there was a fire at that facility and you had to relocate to a mobile facility or something, it would allow for that, correct?

Then, for example, you have the American customs basically looking at each other. If you had a situation like a flood, would you coordinate with American customs officials, to try to find a common area to move to so that you're both across from each other still?

• (2110)

**Mr. Andy Lalonde:** It's kind of interesting, because once we.... If we could relocate to the U.S.—is that the question?

**Mr. Randy Hoback:** Yes.

**Mr. Andy Lalonde:** We would love to be able to do that. We don't have a means or an agreement to do that yet. In fact, that's what we are working on right now as part of the Beyond the Border action plan, the security and prosperity partnership. Negotiations will begin shortly with the United States so that we're able to do that at some point and establish a pre-clearance facility one day in the U.S.

**Mr. Randy Hoback:** Okay. Thank you.

**The Chair:** Thank you.

I think that's all the questions, Mr. Lalonde. Thank you so much for staying with us until near the bitter end here. We appreciate your time. Thank you so much.

**Mr. Andy Lalonde:** The last person standing is either good or bad.

**The Chair:** We have one more.

**Mr. Andy Lalonde:** Thank you.

**The Chair:** We will bring in division 30, the Pension Benefits Standards Act, 1985, and we'll have Ms. Hemmings back before the committee.

Welcome back to the committee, Ms. Hemmings. Thank you for staying so late as well. We sincerely appreciate that and look forward to your giving us a brief overview of this change.

**Ms. Lynn Hemmings (Senior Chief, Payments, Payments and Pensions, Financial Sector Policy Branch, Department of Finance):** Thank you very much.

This amendment stems from correspondence we received from the Standing Joint Committee for the Scrutiny of Regulations regarding their concern that the Air Canada pension plan solvency deficiency funding regulations and the Air Canada pension plan funding regulations, 2009, were made without proper statutory authority.

Subsections 39(2) and 39(3) of the Pension Benefits Standards Act allow regulations made under the act to apply generally to all pension plans or specifically to one or more pension plans, or to one or more classes of pension plans. These authorities came into force in 2010. Essentially, this amendment deems those two subsections of the Pension Benefits Standards Act to come into force prior to the making of the Air Canada regulations, thereby ensuring the validity of both those regulations.

I'd be happy to answer any questions.

**The Chair:** Thank you very much for that.

We'll go to Mr. Marston, please.

**Mr. Wayne Marston:** I just want to be clear in what I'm hearing. You say the whole idea of this is to retroactively insert a law in where the courts or someone has suggested that it was not appropriate to do it?

**Ms. Lynn Hemmings:** No. It's to essentially ensure that there is statutory authority for those regulations. Those regulations are in force, and Air Canada has used the first set of regulations and is using the second set, so this essentially is just ensuring that there is proper statutory authority for those regulations.

**Mr. Wayne Marston:** But retroactively.

**Ms. Lynn Hemmings:** That is correct.

**Mr. Wayne Marston:** Which, the way I'm hearing it, implies at least that the authority wasn't there at the time the provisions were put in place.

**Ms. Lynn Hemmings:** It's the scrutiny of regulations committee that is essentially making a housekeeping amendment to—

**Mr. Wayne Marston:** Okay. That was my next question. What prompted this?

**Ms. Lynn Hemmings:** It was prompted by the Standing Joint Committee on the Scrutiny of Regulations.

**Mr. Wayne Marston:** So it wasn't an outside source that caused it. It was internal housekeeping, then.

**Ms. Lynn Hemmings:** No. In reviewing regulations, they decided that it would be prudent to make this kind of amendment to the PBSA.

**Mr. Wayne Marston:** Okay. Thank you.

**Ms. Lynn Hemmings:** You're welcome.

**The Chair:** Thank you, Mr. Marston.

There are about three minutes left in this round. Ms. Nash, go ahead.

**Ms. Peggy Nash:** I'm just curious. Can you provide us with a bit more detail on those changes to the Air Canada pension plan? Where was there found to be a regulatory gap, if you will, or a change needed in the regulation? What specifically prompted the need for the change in regulation?

**Ms. Lynn Hemmings:** In the first instance, it was driven by Air Canada entering bankruptcy protection back in 2004. The regulations provided a funding schedule for making payments into their pension plan.

The second case was simply a funding schedule that was negotiated in conjunction with the unions and the planned sponsors, the retirees, to adopt a funding schedule for the pension plan. They signed an MOU, and subsequently the government put in place the regulations to effect that funding schedule.

• (2115)

**Ms. Peggy Nash:** So these were changes that were in some shape or form negotiated and presumably under the guidance of OSFI, in terms of making, essentially, amendments to the pension plan. It would have been under the jurisdiction of OSFI, I assume.

**Ms. Lynn Hemmings:** OSFI has authority over federally regulated pension plans such as Air Canada, and it is their job to ensure compliance with regulations made under the PBSA.

**Ms. Peggy Nash:** So essentially there was no regulatory provision for the changes that were made at that time, to avoid bankruptcy or whatever, but because they had been negotiated there was a regulation required to permit what had been done. Is that correct? Am I understanding you?

**Ms. Lynn Hemmings:** There are funding rules under the PBSA and the regulations that must be followed. If exceptions are to be made to those funding regulations, then a special regulation has to be introduced to set out what the funding schedule will be, and that was what was applied in the case of Air Canada.

**Ms. Peggy Nash:** I understand. Thank you.

**The Chair:** Thank you, Ms. Nash.

I'm going to go to Ms. Glover and then I'll come back.

Ms. Glover.

**Mrs. Shelly Glover:** Thank you, Mr. Chair.

Ms. Hemmings, do you have a copy of the letter that was sent?

**Ms. Lynn Hemmings:** I do not. I can certainly submit one to the committee. It is in French.

**Mrs. Shelly Glover:** That would be much appreciated.

Who authored the letter?

**Ms. Lynn Hemmings:** I don't have the name off the top of my head.

**Mrs. Shelly Glover:** I believe it may have been—

**Ms. Lynn Hemmings:** Mr. Rousseau comes to mind.

**Mrs. Shelly Glover:** Mr. Rousseau and Madame Francine... What's her name? She's from the NDP, in fact. Francine...?

[*Translation*]

**Mr. Guy Caron:** Are you talking about Francine Raynault?

[*English*]

**Mrs. Shelly Glover:** No. Bellavance?

In any event, if you could table the letter, I believe it was opposition members who actually wrote the letter. So further information could be obtained from their own side, if they need further details, but I'd appreciate it.

Thank you.

**The Chair:** Thank you, Ms. Glover.

There are four minutes left, Mr. Hoback, if you want to take the time.

**Mr. Randy Hoback:** Colleagues, I think I can help you out here. I sat on the scrutiny of regulations committee, so I know how the process works. What happens is the legal.... It brings into a group of all parties made up of both the Senate and the House of Commons, and it will highlight issues that may or may not be a problem. It would make suggestions to have the department remedy a situation so that it would not be a problem.

So in this case, I would assume, it may or may not have been a problem, but they came back to the department and said change it so it's not a problem, guaranteed. So it's mainly housekeeping. It would have been internal legal, and then it would have been all parties that would have vetted it before we got back to this stage here.

**The Chair:** Thank you. That's very helpful.

Mr. Brison, did you have a point?

**Hon. Scott Brison:** Is there any federal fiscal impact of the proposed change?

**Ms. Lynn Hemmings:** No.

**Hon. Scott Brison:** Okay. Thank you.

**The Chair:** Okay. Thank you.

We'll go to Ms. Nash, then, please.

**Ms. Peggy Nash:** It's just a point of clarification. I'm not 100% clear about the letter you're referring to, but I don't believe it was a member of the NDP who sent that—

**Mrs. Shelly Glover:** No, it might have been the Bloc.

**Ms. Peggy Nash:** Yes.

**Mrs. Shelly Glover:** We're going to get it, anyway.

**Ms. Peggy Nash:** Yes, I don't believe it was an NDP member who wrote the letter.

**Mrs. Shelly Glover:** There were two members.

**The Chair:** Okay, let's get a copy of the letter and then we'll clarify that.

**Mr. Wayne Marston:** What was the date of the letter?

**Mr. Randy Hoback:** It was chaired by two party members, so you might have an opposition party member and a government party member. And depending on the time the letter was written, it could have been a time when the Liberals actually were in power or the minority government was in process. So it would have come from the chairs, I'm sure.

**The Chair:** Thank you. We appreciate that.

Seeing no further questions, Ms. Hemmings, we thank you so much for staying and being our last witness tonight. We appreciate your time.

Colleagues, I appreciate all of your time this evening.

We should also give a special thank you to the parliamentary staff who have kindly stayed. Thank you so much.

Colleagues, we will resume again on Monday at 3:30. I'll just indicate that we will actually have officials for the first three hours of that day. Also, with regard to the schedule, we will be sitting until 9:30 on Monday, as agreed to by all the parties.

Have a wonderful week next week in your constituencies, and we'll see you on May 28.

The meeting is adjourned.







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