



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Standing Committee on Finance

FINA • NUMBER 064 • 1st SESSION • 41st PARLIAMENT

EVIDENCE

Tuesday, May 29, 2012

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Chair

Mr. James Rajotte

Standing Committee on Finance

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• (1705)

[English]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): I call to order the 64th meeting of the Standing Committee on Finance.

I want to welcome our witnesses here this afternoon.

Our orders today, pursuant to the order of reference of Monday, May 14, are for our study of Bill C-38, An Act to implement certain provisions of the budget tabled in Parliament on March 29, 2012 and other measures.

We have four organizations with us in this panel.

Firstly, we have the Canadian Labour Congress.

[Translation]

Next we have the Conseil national des chômeurs et chômeuses.

[English]

Thirdly, we have the Macdonald-Laurier Institute.

Then we have PPP Canada Inc.

Thanks to all of you for being with us here this afternoon. You will each have up to five minutes for an opening statement, and then we'll have questions from members.

We will begin with the Canadian Labour Congress, please.

Mr. Andrew Jackson (Chief Economist, Canadian Labour Congress): I'll try to keep it to five minutes. It's a pretty big bill for five minutes.

The first point I'd make is what we would have hoped for, which is that in our view the provisions in the bill relating to the changes to old age security and employment insurance should be removed from the bill, and there should be a separate consultation on those. I think both sets of provisions have very far-reaching ramifications.

I'd also note that I don't think that in either case the government has produced a really clear policy rationale for the changes, and it would be good to have that more informed debate on the issues.

So I'll just make a few points very, very quickly.

On employment insurance, we would certainly have a major concern regarding the new appeal process with the social security tribunal. As members are probably aware, there are now about 1,000 part-time members of EI boards of referees across the country that are assigned to each of the EI regions. In our view—and I think in

the view of employers as well—the existing system gives unemployed workers a fair and impartial process. The appeals are dealt with on a speedy basis. We don't see that 39 full-time people are going to adequately replace that in terms of an appeal process.

That concern about the loss of a fair process is of particular concern given the other provisions in the bill relating to employment insurance, which I think imply that there's going to be closer scrutiny of unemployed workers and greater expectations of them in terms of job search and the kind of work they should have, so the interaction there is of concern.

I guess around the new expectations of the unemployed in terms of taking available jobs—with significant wage cuts, in some circumstances—it's unclear to us what the rationale is for this change. Is it the case that the government thinks unemployed workers are or are not turning down suitable job offers at the present time?

Most of the impact of those provisions is going to fall on workers in the higher unemployment regions. In the high unemployment regions in Atlantic Canada and Quebec, there is something in the range of 10 unemployed workers for every job vacancy that's reported by employers. It would seem to us that we're very far from a situation where there are jobs going begging because of unemployed workers turning them down.

Again, particularly in the higher unemployment regions where wages are relatively low to begin with, the other concern is that obliging some subgroup of the unemployed to take significant wage cuts could further depress wages quite significantly.

With regard to the old age security and the guaranteed income supplement, it's again unclear to us what the key objective here is. Is it to require older workers to work longer or is it primarily to save money? If it's to make people work longer, I'd draw to the attention of the committee the fact that the average retirement age actually has been rising over the last decade, in line with rising life expectancy, so time spent in work is not falling, as is often alleged. If you look at people aged 65 to 70, you see that now one in four in that age category is continuing to work while collecting, in the vast majority of cases, an old age security pension. There's no requirement to cease work to collect OAS.

To put it in a nutshell, I guess the concern is that if we look at people in that 65-to-67 age group who are going to lose access to OAS and GIS, there is a very significant subgroup in that population that relies on the guaranteed income supplement in particular to give them a barely adequate standard of living. Thirty per cent of the income of people aged 65 to 67 comes from OAS and GIS, primarily because people at the bottom end really rely on that. There's going to be some important subgroup of people who are unable to continue working past age 65 for reasons of ill health, or for reasons of caring for somebody else, and who are likely unable to work to replace that important income from OAS.

If we look at people age 65 to 67 who are working now, we see that 40% are working part time, and 40% are self-employed, often at very low incomes. So it's far from clear that people in that age group who continue to work, assuming the government wants to encourage them to do so, will be able to earn sufficient income to replace that lost OAS and GIS income.

• (1710)

In conclusion, I would just urge that there be more extended scrutiny of those sections of the bill related to EI and OAS than we're going to be able to give them through this process.

Thank you, Mr. Chair.

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

[*Translation*]

Mr. Céré, you have five minutes.

Mr. Pierre Céré (Spokesperson, Conseil national des chômeurs et chômeuses): Mr. Chair, members of the committee, thank you for inviting us to speak to you today.

My testimony will be solely about the part of the budget implementation Bill C-38 that deals with employment insurance.

Mr. Chair, I must tell you that we hesitated a little before accepting this invitation because we are very well aware, as is everyone here, that Bill C-38 is going to be passed anyway. But we have a deep belief in democracy, we are democrats. We feel that Quebeckers and Canadians have to know about the issues that underlie the proposed changes to employment insurance, because those changes will have very serious consequences.

Clause 605 on page 372 of this 452-page bill, which affects 60 separate acts, contains four lines that rescind section 27 of the Employment Insurance Act. The entire historical definition of unsuitable employment is removed, a definition that protected workers who found themselves out of work and gave them a reasonable amount of time in which to keep looking for work in their areas of expertise and experience. From now on, unsuitable work becomes suitable. From now on, what was unacceptable becomes acceptable.

Mr. Chair, we knew of course that a new definition would eventually be introduced into the employment insurance regulations, regulations that do not go through Parliament. Last Thursday, Ms. Finley, the Minister of Human Resources and Skills Development, tabled such a document. We now know more about the spirit in which that definition of suitable and unsuitable work will be couched.

This is a historic stage in the history of employment insurance, a program that has existed since 1940. Three separate classes of the unemployed are now created; they will not have the same rights nor be subject to the same requirements. That is unheard of. Specifically, a new sub-class of the unemployed is being created; they are called frequent claimants and they are no longer entitled to a reasonable search period. They will be required to accept any work at 80% of their previous earnings starting in the first week of unemployment. In the seventh week of unemployment, they will have to take any work paying 70% of their previous earnings.

Who are these frequent claimants? Principally, they are seasonal workers. And where are those seasonal workers, ladies and gentlemen? In eastern Canada. In Quebec, 34% of those receiving employment insurance benefits are seasonal workers. In Atlantic Canada, the percentage in Nova Scotia is 38%, in New Brunswick, it is 46% and in Newfoundland, it is 52%. In Ontario, it is 19%, in British Columbia, it is 14% and in Alberta, it is 9%. In a way, they are declaring war on eastern Canada by penalizing those who live in those regions where a major part of the economic activity comes from seasonal work.

Who are these so-called frequent claimants? Generally speaking, they are people who have no opportunities for a full-time, year-round job. They may be, for example, in the film, cultural, television or advertising industries. They are support workers, like those in school cafeterias. According to the Department of Human Resources and Skills Development's own figures, one-third of the Canadian workforce is in a vulnerable situation. Those are the workers being targeted. They form the newly-created sub-class of unemployed that will be forced to accept unacceptable conditions.

The same bill proposes to abolish the administrative tribunals, meaning the boards of referees and the umpires. My colleague here from the Canadian Labour Congress brought that up as well. I point out in passing that the boards of referees were tripartite—with representation from labour, employers and the government—in order to ensure a measure of balance in the decision-making process. That will all be replaced by a new Social Security Tribunal with only one member. There will be 74 of them for all of Canada, only half of which will be assigned to employment insurance.

I have been mandated to tell you that the current government is in the process of breaking the social contract on which employment insurance was built in 1940, when it was called unemployment insurance. All observers, commentators and columnists, the entire political class in Quebec and the Atlantic provinces, are opposed to these changes.

• (1715)

Let me finish with these words. Mr. Chair, this government is sowing the wind. Those who sow the wind can expect to reap the whirlwind, and the whirlwind is coming.

Thank you.

The Chair: Thank you.

[*English*]

We'll now hear from Mr. Clemens, please.

Mr. Jason Clemens (Director of Research, Macdonald-Laurier Institute): Mr. Chairman, members of the committee, thank you for the opportunity to be here. I apologize for not having something written, but I was just confirmed this morning. Because of other commitments I wasn't able to write something formal.

I was asked to comment on the changes proposed to OAS. I'll just go across some broad strokes with respect to OAS and GIS.

First, I think it is a move toward recognizing the demographic deficit the country is facing. Professor Christopher Ragan did a paper for us showing that by 2040, the structural deficit the country would face would be 4.2% of GDP, which is about \$67 billion in current terms. That's driven almost exclusively by demographic changes, largely income transfers to seniors and health care expenditures. I think the changes to OAS are a step in the right direction to dealing with that deficit down the road.

However, I would characterize the reforms as modest. I certainly wouldn't characterize them as radical by any stretch, for several reasons. First, using the traditional definition of sustainability, the program was not sustainable because it either would require more resources or crowding out of other spending. It wasn't sustainable if we used the traditional measure or definition. The actuary said that OAS and GIS spending would go from one in five dollars of government spending to one in four dollars by 2030, so either more taxes or crowding out of other spending would have to occur.

Secondly, the increase in the age to 67 is not all that radical, if you think about it. For example, if we were to index the age of eligibility beginning in 1966, when Canada pension was brought in, the current age of eligibility for retirement would be 74. So the move to 67, given the fairly marked increase in life expectancy over time, is a fairly modest change. In my own writing, I suggested 69. Again, if we had just indexed it, it would have been 74.

Something the committee should consider is creating a mechanism to index it in the future so that the age of eligibility is automatically increasing as life expectancy is increasing. Right now what happens is the cost of the total benefit increases with no action, simply as life expectancy is extended.

Thirdly, one of the things I was disappointed about is there was no discussion about the eligibility for the benefit on OAS—not GIS but OAS. The fact that you get the full benefit up to almost \$70,000 in income indicates to me it is not a well-targeted program, and in an era of scarce resources I think we could do a much better job, particularly in looking at GIS and some of the concerns that Andrew raised, which I agree with on GIS. Those could be more than fully funded if we were to scale or claw back OAS at a lower level of income.

As an example, a two-adult household can have income up to \$140,000 and receive full OAS benefits. Again, there's room to scale that back so that we can better use those resources for lower-income seniors. Indeed, one of the real successes of Canada internationally is our ability to essentially wipe out poverty for seniors, largely through the GIS program and its interaction with OAS. So I would suggest that's something we should be putting on the table, the discussion of better targeting the elderly benefits to GIS through a more aggressive clawback of the benefits on OAS.

Lastly, and again, I think I'm echoing—at least in my understanding—some of Andrew's concerns, there are some question marks. For example, we don't know yet the interaction between the provinces and how they will respond to the gap between 65 and 67, even though the government has at least indicated some additional transfer funds. There's a question as to what that program looks like.

In addition, I think the interaction with the pension laws at the provincial level is a critical issue, particularly if the incentive is that we want seniors to work more. What we can't have is a curtailment of benefits to encourage them to work and then marginal tax rates of over 50% because they're getting benefits scaled back if they stay in the labour force. For example, how does the change that has been proposed to the OAS interact with the RRIF guidelines on when you have to start taking income out of deferred tax accounts?

These are important issues that need to be addressed in totality. While I think the budget is a good first step on OAS, there are some important issues that we at the very least need some details or some contours about as to how they'll interact with the increase in the age of OAS.

Thank you.

• (1720)

The Chair: Thank you, Mr. Clemens.

We'll hear from Mr. Smith now, please.

Mr. Greg Smith (Vice-President, Finance, Risk Administration and Chief Financial Officer, PPP Canada Inc.): Thank you, Mr. Chair.

I'm pleased to be here on behalf of PPP Canada to discuss Bill C-38, An Act to implement certain provisions of the budget tabled in Parliament on March 29, 2012 and other measures.

The infrastructure delivery model, known as public-private partnerships, or P3s, has been successfully implemented through the creation of government agencies in the United Kingdom, Australia, and across Europe. To date, the provinces have led the way in the use of P3s in Canada, notably Ontario, Quebec, British Columbia, and Alberta. However, with the creation of PPP Canada, we are seeing more and more jurisdictions adopting policies and frameworks to leverage greater value for money through P3 procurement. This increase in their use has contributed to Canada becoming a recognized global leader in the P3 industry.

P3s are a long-term performance-based approach for procuring public infrastructure, where the private sector assumes a major share of the responsibility in terms of risk and financing for the delivery and the performance of the infrastructure from design to structural planning to long-term maintenance.

In practical terms, this means that governments across Canada harness the innovation and expertise of the private sector to provide the most effective solution to deliver services to Canadians. Through allowing the private sector to design, build, finance, operate, and maintain such things as roads, bridges, and water and waste water treatment facilities, it ensures that the overall cost and risk is considered up front.

More importantly, governments do not pay for the asset until it is built and a substantial portion is paid over the life of the asset if it is properly maintained and performs its services. Moreover, the costs are fixed over the life cycle of the asset, meaning that taxpayers are not on the financial hook for cost overruns, delays, or any performance issues over the asset's life.

For example, imagine that the company that built your house was also responsible for any repairs and maintenance over your 25-year mortgage. Given the amount that you will pay them every year, once it is constructed, is agreed to before the house is built, your payments do not go up if something breaks or needs replacement. Your builder, therefore, would consider the most cost-efficient way of doing something, perhaps installing a metal roof rather than shingles. More expensive to install, but more durable, and easier and cheaper to maintain in the long-run. Moreover, if your dishwasher breaks and they don't come to repair it in the agreed amount of time, you can deduct that from your next payment.

The Government of Canada has recognized the potential benefits of the P3 model and created PPP Canada, a crown corporation, to improve the delivery of public infrastructure by achieving better value, timeliness, and accountability to taxpayers through P3s.

PPP Canada's operational focus is threefold: acting as a source of expertise and advice on public-private partnerships through knowledge development, and sharing that knowledge; building P3 procurement, knowledge, and capacity among federal departments; and leveraging greater value for money from federal investments in provincial, territorial, municipal, and first nation infrastructure through the P3 Canada fund.

Budget 2011 created a new federal P3 screen for infrastructure with capital costs of \$100 million or more and a useful life of at least 20 years. Federal departments are now required to evaluate the potential for using a P3 for large federal capital projects. Should the assessment conclude that there is P3 potential, the procuring department will be required to develop a P3 proposal among the procurement options. Furthermore, the budget also encouraged departments to explore the potential of a P3 approach for other types of procurements.

• (1725)

The Chair: You have one minute remaining.

Mr. Greg Smith: As the centre of expertise for the federal government on P3, P3 Canada will work closely with federal departments and agencies through the screening process, and offer our services should they choose to move forward. That would be creating a development plan, undertaking a robust value-for-money analysis, and a risk analysis.

P3 Canada has created a P3 screening guide to assist departments. That's on our website. This was launched in April, following the

release of Treasury Board Secretariat's "Guideline to Implementing Budget 2011 Direction on Public-Private Partnerships". Other products and tools continue to be developed.

PPP Canada is currently engaged with several departments, including Transport, on the new bridge across the St. Lawrence.

We believe that the increased value and accountability generated by more and better P3 procurements, in addition to the budgetary certainty they provide, will leverage savings for taxpayers far beyond the operations of the organization.

Thank you.

The Chair: Thank you, Mr. Smith.

We'll now start members' questions with Mr. Marston, for a five-minute round.

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

Mr. Clemens, I'm in one of those situations where I agree with you and I disagree with you at the same time.

You talked about old age security and that it has addressed seniors' poverty. Yes, to a marginal degree over time it did, in the days that it was first undertaken, when people were starving to death on the Prairies.

Are you aware that the low-income cut-off is about \$22,000 a year? Would you accept that as the poverty line, sir? You don't think that's the poverty line?

Mr. Jason Clemens: Statistics Canada itself says it's not a measure of poverty.

Mr. Wayne Marston: What would you call the poverty line? I'll allow that one to you.

Mr. Jason Clemens: Well, I think we could use the MBM from Statistics Canada, and we could use Chris Sarlo's number.

Mr. Wayne Marston: What would that be?

Mr. Jason Clemens: I wouldn't use LICO as the poverty line.

Mr. Wayne Marston: Okay. What I'm searching for is what you think the poverty line is. Just throw out a dollar figure so we've got something to talk about.

Mr. Jason Clemens: No, I can't. Maybe....

Mr. Wayne Marston: Well, let's talk about what seniors get. Seniors get \$1,140 a month, and they don't get GIS unless they qualify for OAS. If they're getting \$1,140 a month in Canada, they are definitely below the poverty line. They are definitely living in poverty. Pause and think for a second how far one can go with that.

I spoke to people across this country. I held 40 town hall meetings across the country. I talked to seniors about what their lives were like. I listened to them. In St. Thomas a woman told me that some of her husband's medication had been delisted. She didn't know where she would find \$90 a month. When the HST was coming in, a lady up in Elliot Lake was worried about where she would find \$161 a year. That's where people are in this.

I can't say I disagree with you, sir, on potentially looking at the cut-off point where people qualify for this and that.

Mr. Jackson, I'd like to ask you a question, sir, about the implications of the transfer of this money. People on ODSP, the Ontario disability support program, who look to get ahead a little bit, or people on welfare who look at getting ahead a little bit, at age 65 will be at the lower rate for an additional two years, even lower than GIS and OAS, but the cost is also passed along. Do you agree?

Mr. Andrew Jackson: Somewhere there is going to be a cost to the provinces for that subgroup of people age 65 to 67. Now, the transition off provincial social assistance programs and other provincial programs onto OAS and GIS happens once they turn 65, so that transition is going to be delayed.

I guess on top of that, there is a layer of single older workers in particular who also would see quite a significant improvement in their standard of living when they turn age 65 and qualify for the GIS.

To go back to your earlier question, in terms of the various low income lines, when you look at the dollar amounts between the market basket measure and the LICO, it doesn't vary all that much. What the GIS really does is to push the great majority of seniors just above that low income line, but they certainly don't get very far above it. It's pretty bare bones.

Mr. Wayne Marston: In fairness to the government, the finance minister has said that he was going to help the provinces and the municipalities with some of this. I don't want to be totally.... I'll stop there. I was going to say something different.

Sir, the OECD pension team evaluated OAS. The Parliamentary Budget Officer evaluated OAS. They both said it was sustainable, that the increase required would only be a modest one in relation to GDP. What's your opinion of that? You are an economist, I understand.

• (1730)

Mr. Andrew Jackson: Well, the figures are there for everybody to look at in the report from the chief actuary. There's nothing about those figures that should come as a surprise to anybody. Why we suddenly thought it became unsustainable when the Prime Minister went to Davos I'm not sure, because there were no new facts that had come to light.

Mr. Wayne Marston: It also wasn't mentioned at all by the Prime Minister in the election campaign.

How much time do I have, Mr. Chair?

The Chair: You have 30 seconds.

Mr. Wayne Marston: I'll stop at this point.

The Chair: Okay, thank you, Mr. Marston.

Mr. Hoback, please.

Mr. Randy Hoback (Prince Albert, CPC): Thank you, Chair, and my thanks to you witnesses for coming out. I appreciate your accommodating the committee with the short notice. It's been one of those days where it's been hard to plan anything, and I think the chair must be pulling his hair out trying to schedule meetings and coordinate witnesses. I appreciate the work the clerk does in regard to that.

The testimony here I find amazing, because I come from Saskatchewan. I'll use an example in my riding. I have a local Canadian Tire, and they have been trying to get mechanics for quite a while.

A couple of years ago, there were layoffs in the auto sector in Ontario and Canadian Tire did their own job fair. The common answer they got from mechanics was that they'd think about it once their EI ran out, then maybe they'd give Canadian Tire a call.

That's been quite common talk at the different businesses in Saskatchewan. We're missing out on huge opportunities to develop more of our resource sector, more of our logistic sector, and more of the business sector. We're losing all the spin-off jobs, which would also create more jobs in Ontario and Quebec.

I find it really interesting. I'm trying to figure out what people are trying to say. Should we let people sit on unemployment insurance when there's a good job out there? If there's a good job there, some still choose to finish off their EI. They figure after their EI runs out maybe that job will still be there, maybe it won't, but it won't matter.

There has to be some sort of an incentive system to get them back to work. I think that's what we're doing. The goal is to make sure we see some productivity out of these folks.

Mr. Clemens, Mr. Marston had asked you a question about poverty lines, and I'm going to let you answer it.

Mr. Jason Clemens: I don't disagree with Andrew that there are some differences between the various lines, but they are important ones. More important is to recognize the different effect on different households. If you have two seniors who are both receiving GIS and OAS, it's a very different circumstance than if you have a single elderly person who's only receiving GIS. Those circumstances should be treated differently.

In addition, the data is clear that the cost of living varies considerably from city to city. If you're a low-income senior in Vancouver on GIS and OAS, it's a very different circumstance than if you're from my hometown of Windsor.

I would love to see a discussion about curtailing OAS—clawing it back more aggressively and freeing some of those resources to better target GIS. How do we do a better job? I'd be more than open to discussing augmenting the benefit for single elderly people. Given the demographic deficit we're facing, we have to use scarce resources better. My view is that having a full benefit of OAS on the individual level up to \$70,000 is not a well-targeted program.

Mr. Randy Hoback: That's a good point, and that's something we should be talking about in our prebudget talks for next year. I encourage the chair to consider that when we look for witnesses.

Going back to the unemployment insurance, when it comes to creating jobs this government's been fairly clear. Mr. Céré, you have to agree with us. In this budget, we're extending the hiring credit for small businesses in an effort to encourage over 50,000 small businesses to hire more workers. This has been well received. We're investing \$50 million in youth employment strategies to help more young people to gain work experience and get into the workforce. We're improving economic opportunities for aboriginal youth, which I think is very important. We're increasing opportunities to fund and help Canadians with disabilities to get into the job market. We're improving job market information for Canadians looking for work. And we're assisting older workers who want to keep their skills and keep working.

There are lots of things in this budget, but these things are not east-west. They're right across Canada. I want to make that point. It is shameless when you start saying there's a west favouritism or an east favouritism. That's absolutely shameless. That plays right into the NDP politics of split and divide.

What do you say to that? These are programs that are good right across Canada so why would you say there's an east-west divide?

• (1735)

The Chair: Please be brief.

[Translation]

Mr. Pierre Céré: Let me ask you a question instead, sir. Do you know the average length of a claim for employment insurance benefits in Canada. On average. Do you know?

[English]

The Chair: All comments are made through the chair so the questions and the answers are through the chair.

[Translation]

Mr. Pierre Céré: Fine. Mr. Chair, I will make my comment through you, so that I can use a question of my own to reply to what was said. What is the average length of a claim for employment insurance benefits in Canada?

Let me give you the answer. It is 20 weeks.

[English]

The Chair: Mr. Hoback posed a question to you. Do you want to answer his question?

[Translation]

Mr. Pierre Céré: Of course I am going to answer. I assume that is why my microphone is now on.

In Canada, the average length of a claim for employment insurance benefits is 20 weeks, or four and a half months.

[English]

Mr. Randy Hoback: That's not the question I asked.

[Translation]

Mr. Pierre Céré: In theory, a claim can last for 36 weeks. Under the eligibility rules, people can get up to 36 weeks of benefits. The average length is 20 weeks and 75% of claimants do not reach the end of their benefit period.

You don't want to listen to my answer, sir?

[English]

Mr. Randy Hoback: He's playing cheap politics.

[Translation]

Mr. Pierre Céré: Seventy-five per cent of employment insurance claimants find a job. You are basing your reform on prejudice.

[English]

The Chair: Order, order.

[Translation]

Mr. Pierre Céré: When I hear statements being made based on prejudice, I want to reply with figures that are a little more scientific. This makes no sense.

[English]

The Chair: Mr. Hoback, your time is up anyway.

We'll move on to Mr. Brison.

Go ahead, Mr. Brison, please.

Hon. Scott Brison (Kings—Hants, Lib.): Thank you very much. Can't we all just get along?

Voices: Oh, oh!

Hon. Scott Brison: I want to talk a little about the OAS, because I actually think there's some common ground between what Mr. Clemens and Mr. Jackson have said, and I have real concerns. We may disagree on whether or not OAS is sustainable, and there are arguments being put forth in that regard. The OECD and the Parliamentary Budget Officer have said that it's sustainable in its current form. I think it goes from 2.7% of GDP now to, I think, 3.1% in 2030, and drops down thereafter.

You've raised a good point. If it is not sustainable, there are more progressive ways to address its sustainability. First, I believe it's sustainable, so I don't think we have to make those changes, but it's a good idea to consider what we could do that would be less regressive than the approach being taken. The reality is that 40% of the people getting OAS are making less than \$20,000, and 53% make less than \$25,000.

It's fine to say you can work a couple of extra years if you're a politician, an economist, a journalist, or an accountant, but if you're a physical labourer or a woman working in a fish plant in Newfoundland in a cold, damp environment, the extra couple of years from 65 to 67 may be very difficult.

You suggested addressing this through the clawback approach. Should we, for instance, consider ideas that include taking a look at the type of labour? You also suggested looking at single seniors. Does that not take a more thorough analysis? Is that not one of the arguments why we should be dealing with this as a separate piece of legislation, so that we can really devote Parliament's time, efforts, and research to it?

Either of you can answer.

The Chair: Go ahead, Mr. Clemens.

Mr. Jason Clemens: I'll just quickly clarify the sustainability issue. The traditional definition of sustainability is that, given current policies, it can be funded without changes over time, and the OAS is going from being equivalent to \$1 in \$5 of total spending, to \$1 in \$4. So it either is going to be financed by more taxes or by crowding out other spending.

Hon. Scott Brison: Respectfully, we differ on that point. I'm trying to get to a point where we may agree, and that is the—

Mr. Jason Clemens: Sorry, I just wanted to clarify why I was saying that it was unsustainable.

I would be open to either of those suggestions. Again, part of the point I was trying to make post-budget, after the original announcement was made by the Prime Minister in Davos, is that there are a lot of moving parts to retirement income. If we only look at OAS and GIS, we're missing considerable parts.

So if we bring up the issue of the single elderly person, then we're definitely talking about GIS. Some of the other programs are moving parts—

Hon. Scott Brison: Or the physical labourer.

Mr. Jason Clemens: My concern would be the technical process through which we're going to make those determinations. Again, I think the easy lifting, so to speak, is to identify the clawback threshold for OAS, that is, to ask the question of better targeting. And I think it's fairly easy to do that for single seniors, since we already differentiate those benefits now.

• (1740)

Hon. Scott Brison: Mr. Jackson, did you have something to say?

Mr. Andrew Jackson: I think that, if you increase the clawback, it would be a less bad way of going about doing things. On the sustainability thing, we're phasing in this increase in such a way that it really only applies when the cost of OAS peaks, so it doesn't really make that much difference to the cost of the program. The average person of 65 is going to live past 80, so you're cutting off two years. It's not a huge percentage point reduction to the cost of the program.

What I would say is that I would not ignore the importance of OAS to people who aren't in a very low income situation. We know that baby boomers, or a significant section of middle-income baby boomers, aren't saving enough for retirement. CPP and OAS in combination replace 40% of the average wage, which is a very low public pension compared to the great majority of OECD countries. So there are a lot of couples who are going to lose a significant chunk of change, the ones who are fully affected by it. I guess basically they're going to have to work that much more to make up the difference, or save that much more, but we know people are having trouble saving.

I'm not sure whether the real motivation for this is the cost or the view that people are retiring too early. To my mind, there are all kinds of positive incentives we can put in place for people to continue working past 65 and to encourage employers to retain workers. We could talk about all those things, if that's what the debate is about.

The Chair: Thank you.

We're right at five minutes, Mr. Brison. Thank you.

We'll go to Mr. Jean, please.

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

I've been in Fort McMurray for 45 years, since there were 1,500 people. My community is built by people from the rest of Canada—the unemployed, mostly from eastern Canada, from Newfoundland and Labrador. Actually, they say that Fort McMurray is the second largest Newfoundland city in the world, which I think is probably true.

Once thing that resonates as true is exactly what my friend Mr. Hoback says: many people come to Fort McMurray to get the maximum number of weeks, and then they go home, wherever that home may be. I understand why; I'd like to be home too, right now, but I'm here working because I accepted this job.

Since it is such a common thing to have people work the minimum number of weeks and return to their home, do you think it's reasonable that they do that? What would be reasonable, in the circumstance, as a minimum number of weeks for people to work to be able to return home? The jobs are available. Let's face facts: they're there; they're just in a different part of the country.

Mr. Andrew Jackson: I'm not sure I really understand the question. Presumably they wouldn't qualify for EI unless their employer in Fort McMurray laid them off. If they're—

Mr. Brian Jean: I also know that many people ask for layoffs and I've never heard of anybody refusing them. And if they do refuse, they go to the EI office and they complain for 15 seconds and they get their EI. That's common. I've worked in the labour unions, I've worked in those areas, and I know that this is what happens, because I've seen it happen consistently. I'm just asking you what would be a reasonable number of weeks for a person to come to western Canada and work in order to receive unemployment benefits for the rest of the year. That's my question. What do you think is reasonable?

Mr. Andrew Jackson: I'm baulking slightly at the question. I don't object to the current rules. We haven't said workers who quit their jobs should be eligible for—

Mr. Brian Jean: Ignoring the current rules, what do you think is reasonable in the circumstances? You're opposed to these changes, so I'm asking you what you think is reasonable. It's a simple question.

The Chair: Talk one at a time.

Mr. Brian Jean: It's a simple question: the number of weeks per year.

The Chair: Okay, let's let the witness answer the question.

Mr. Andrew Jackson: We accept the status quo: that workers should not be eligible for EI unless they have lost a job through no fault of their own. They have to be laid off by an employer. The vast majority of unemployed workers, given those circumstances, will seek another job. As you've suggested, huge numbers of workers from rural Atlantic Canada, the high unemployment regions, have moved west in search of—

Mr. Brian Jean: A welder in most parts of the country makes \$30,000 to \$40,000 a year. In Fort McMurray, they're making \$150,000 to \$180,000 a year. That's because there are not enough of them there. What I'm suggesting is, clearly the jobs are there. They're all over Alberta, they're all over Saskatchewan.

So, for a person coming to western Canada from Quebec or from the Maritimes or Newfoundland and Labrador, what is a reasonable expectation for the government to have of them to work? How many weeks do they need to work per year to collect unemployment insurance for the rest of the year?

• (1745)

Mr. Andrew Jackson: I think the great majority of unemployed workers would like to work 52 weeks a year like full-time, permanent workers. It's not a matter of the government saying—

Mr. Brian Jean: The jobs are there for 52 weeks a year; I promise you they are. I've been there my whole life. I can promise you they are there.

Can you answer the question? You can avoid it if you want. Just tell me you don't want to answer the question. What do you think is reasonable? You're opposed to our changes, so what do you think is reasonable? The jobs are there.

The Chair: Okay, Mr. Jean, let's let him answer. We have to give him an opportunity to answer the question.

Mr. Jackson, we'll give you the opportunity to answer.

Mr. Andrew Jackson: I think we're talking past each other. I mean, under the current system, whether you're eligible for EI is going to depend on the local unemployment rate. If you're working in Fort McMurray and are laid off from your job, you have a much shorter eligibility for EI than if you were working in Corner Brook.

I would frankly dispute your assertion that there are workers who go to EI, who collude with employers to have themselves laid off so that they can go back to Atlantic Canada. Typically people work very long shifts. When they fly in, they go back home for the off-shift, but—

Mr. Brian Jean: They work very hard. They pay the taxes for the EI benefits—some people do, and a lot of my people do, and they support me in my position with the government in relation to Bill C-38 and the changes we're making. A lot of people do. In fact, I haven't found anybody who doesn't who works in Fort McMurray.

What I'm asking is how many weeks do you think it is reasonable to put in per year?

And Mr. Céré, you've avoided the question. So Mr. Céré, do you have any comments?

[Translation]

Mr. Pierre Céré: I certainly do have some comments. Sir, the bill in no way changes the eligibility requirements or the benefit period. That is not the issue. Once people are receiving employment insurance, three classes of claimants are being created and they do not have the same rights and requirements. The ones called frequent claimants are seasonal workers and they are in eastern Canada. This is a declaration of war on eastern Canada.

[English]

Mr. Brian Jean: Do you have an answer to the question?

[Translation]

Mr. Pierre Céré: Let me give you an example. Not so long ago in a region of Quebec called Saguenay—Lac-Saint-Jean, the unemployment rate was about 13% or 14%. Today in Saguenay—Lac-Saint-Jean, where there is a lot of seasonal activity, the unemployment rate is 6%, not far off full employment. What does that mean? Does it mean that jobs were created so that people can work, or does it mean that they are less lazy now? Go and ask the people there and listen carefully to the answer.

People want to work, sir.

[English]

The Chair: Thank you.

I'll just mention the following. I know that members have a short time, but I'd encourage colleagues to pose a question and let a witness answer. And let's allow enough time for the witness to answer within the five-minute time period.

[Translation]

Ms. Blanchette-Lamothe, you have five minutes.

Ms. Lysane Blanchette-Lamothe (Pierrefonds—Dollard, NDP): Thank you.

My questions are specifically about the Old Age Security program.

Mr. Jackson, what do you think about the changes to the Old Age Security program? What consequences will they have? Who will suffer most from the changes, in your opinion? As you mentioned, some people will be able to adapt to the changes more easily than others. In your opinion, which segments of society will not be able to adapt to the changes and will become poorer?

[English]

Mr. Andrew Jackson: In terms of who's not very affected, certainly there are people who have good pension plans and who choose to retire at age 65 or may even choose to retire past the age of 65. What they're going to lose from OAS is not hugely significant to them in terms of their income. The major concern is with people at the lower end.

One in three of all people who are eligible for old age security also are eligible for some degree of supplementation from the guaranteed income supplement, though not necessarily the maximum amount. That's a pretty high percentage. Basically, what it's telling you is that 30% of people entering that age group don't have a sufficient income from pensions and investments to add up to what I guess we have said is an adequate income level in retirement.

As colleagues said earlier, there's not a particularly generous definition for the guaranteed income supplement. I agree with my colleague—certainly when you look at people in Toronto and Vancouver, where people are in high rental cost housing—that it's—

[Translation]

Ms. Lysane Blanchette-Lamothe: I am sorry, I have to interrupt you so that we do not repeat what has already been said.

As examples, take women who go on maternity leave or who have to be away from their jobs more often, or workers who cannot work any more because of a workplace accident or because their work is very physically demanding and affects their health. Are they more likely to feel the changes to the Old Age Security program?

• (1750)

[English]

Mr. Andrew Jackson: I think the assumption of the government is that, given adequate notice of this, people will adjust by working longer or conceivably saving more.

But in terms of who works longer, when Statistics Canada surveys ask people aged 65 why they have retired, about a quarter of people report that they took the retirement decision by reason of ill health or to care for another person. Certainly for women, caring for another person would likely be much more significant.

That's quite a significant chunk. The CCPA put out a report on this. But more and more people are working past age 65. When you look at this group, a very large chunk of those people are either working part-time—and the proportion of all the workers in areas such as retail is growing—or they're self-employed. For a very significant sub-group, they're not really earning very much income.

The most vulnerable are people who are in some financial and economic difficulties when they're turning age 65 and entering that age group. Certainly there are older workers who have lost their jobs and stable employment well before that age, who have been victims of industrial restructuring and so on. Women are more dependent on OAS and GIS than men, because they've typically built up less in pension income over the course of their lives, including CPP.

[Translation]

The Chair: You have a minute left.

Ms. Lysane Blanchette-Lamothe: I will try to be quick.

Old Age Security is not a pension. We know that private pensions, or those shared between employers and employees, are calculated on the fact that Old Age Security takes effect at 65.

Could you tell us what impact this could have on private pensions that count on Old Age Security to provide a part of their benefits?

[English]

Mr. Andrew Jackson: It's rather complex. Some employer pension plans do provide a bridge to old age security for workers who retire on a company pension before age 65. I don't have the figures on how common that is, but it's not uncommon. So there will be some cost to employer pension plans in raising the age of eligibility for OAS.

The vast majority of pension plans in Canada are integrated with the Canada pension plan, meaning that they provide a defined benefit on top of what CPP provides. That's less often the case with OAS, but there is that bridge provision there.

The Chair: Thank you.

Mr. Andrew Jackson: Sorry, but I hope I answered the question.

The Chair: Thank you. Merci.

We'll go to Mr. Adler, please.

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

I'd like to begin with Mr. Jackson with a quick question. Do unions, or business, create jobs?

Mr. Andrew Jackson: I think employers create jobs. I think unions can help employers create jobs, and they can certainly turn jobs into good jobs, if I can put it that way.

Mr. Mark Adler: But are trade unions in the job-creation business. That's an easy question—or are businesses?

Mr. Andrew Jackson: Not particularly. We advocate for good jobs and good job creation policies, but I will concede your point that private sector employment is created by the hiring decisions of employers.

Mr. Mark Adler: Okay.

We have heard from a lot of various groups, going back to the pre-budget consultations, both from trade unions and business groups, and from social organizations, etc. Every single business and business group that has come before us has said that our government is on the right track, that creating three-quarters of a million jobs since the end of the recession says that we must be doing something right. Lowering corporate taxes to 15%—

Hon. Scott Brison: [Inaudible—Editor]

Mr. Mark Adler: I fail to see the humour in—

The Chair: Mr. Brison, Mr. Adler has the floor.

Mr. Mark Adler: Job creation is not humorous as far as I'm concerned. What we're doing here is a very serious matter.

So, Mr. Jackson, I'm a little taken aback would like you to clarify something for me, please. You are calling for an increase in taxes on business. Business, you must concede, does not really pay taxes. That's simply a cost that's passed on by it. Do you not think that business—which is in the business of employing people—would know better about how to employ productive resources, i.e., labour, than a trade union would?

I understand the role of trade unions in our society and it's a very important role, don't get me wrong. But what I am saying is that business is in the business of hiring people. They want to hire people. So if they say that lower taxes helps them to hire people, why do you think that raising taxes would be better? I don't quite understand that. Could you please clarify that for me?

•(1755)

Mr. Andrew Jackson: Well, I'm not sure I want to get into a whole debate about corporate taxes here. I would say that my position is that there are more effective ways of raising business investment in the economy than simply cutting the corporate tax rate. So when the CLC has discussed taxation issues, it has supported, for example, the position of Canadian Manufacturers and Exporters in favour of much faster write-offs for business investment and machinery and equipment. We would also certainly favour more incentives to employers to invest in training.

I don't think our position is, let's get big wads of cash from the corporations and spend it on a whole bunch of other things. The argument is that maybe we're not actually using the levers government has to raise private investment as we should.

One of our big disappointments about the recent recovery, really, is that the rate of business investment, outside the resource sector, has not been particularly strong and healthy. I think that should be of concern to everybody and we should have a serious discussion about how to address it.

Mr. Mark Adler: So our government's policy, then, of staying on a strong fiscal track and creating 750,000 net new jobs since July 2009, you'd say is a pretty good thing. Just say yes or no.

Mr. Andrew Jackson: I think Canada's job creation record is far better than that of some other countries in the world, and it would be ridiculous to deny that. At the same time, the rate of unemployment is still significantly higher than it was before the recession. Twenty per cent of young people in Canada are out of work or underemployed.

Mr. Mark Adler: You're an economist, are you not?

Mr. Andrew Jackson: I am.

Mr. Mark Adler: Okay. You would know that once an economy gets stronger, more people jump into the labour force, and that tends to raise the unemployment—

Mr. Andrew Jackson: If you look at the figures, our employment rate is still well below where it was before the recession. We're about two percentage points down. Even the Bank of Canada, if you read their latest monetary policy report, says there's still a significant degree of slack in the Canadian job market. That's why we have a concern about these EI changes now.

So things are getting better—

Mr. Mark Adler: Okay, thank you, Mr. Jackson. My time is very limited.

Mr. Andrew Jackson: —but are not back to where they used to be.

The Chair: Yes, your time is up, Mr. Adler.

Mr. Mark Adler: It's up. All right, thanks.

The Chair: We'll go to Ms. Nash, please.

Ms. Peggy Nash (Parkdale—High Park, NDP): Thank you.

Thank you to all the guests for making yourselves available today as witnesses.

Mr. Jackson, I would like to ask you about the proposed changes to OAS and the increase in the age from 65 to 67 to qualify for it. My

question concerns youth employment. You just pointed out that youth employment is significantly higher than the average rate in Canada. You used the figure of 20%.

What impact could this increase in the qualification age for old age security have on young people trying to get into the job market?

Mr. Andrew Jackson: I hate to put it in a framework where people are fighting for jobs, that it's an intergenerational struggle, but to some degree that's true when you are in a high-unemployment context.

When you look at Ontario, for example, we obviously experienced very large layoffs during the recession in 2008-09. What appears to have happened is that a lot of industrial and manufacturing workers who lost their jobs did move elsewhere in search of jobs—moving west—but others moved into the kinds of entry-level jobs that young people would otherwise be taking up. I don't have all of the facts and figures at hand, but I'm led to understand, for example, that in the tourism industry in Niagara Falls, a lot of those hotel jobs have been taken by industrial workers who lost their jobs in Welland. So workers with skills and experience do have an advantage in the job market compared to young people without skills and experience. I think the fact that youth unemployment is so high reflects the fact that older workers who lost their jobs did take, to some degree, the jobs that would otherwise be taken as entry-level jobs.

•(1800)

Ms. Peggy Nash: We're finding now that hundreds of thousands of young people are neither in the workforce nor in school. I think that presents a real challenge for the future, that they're not getting a foothold in the job market.

Most Canadians don't have a private pension plan and they're not able to put money away in RRSPs. Delaying getting OAS for a couple of years not only impacts them to the tune of thousands of dollars, but it will also have an impact on their local economy, because people don't have that money in their pocket to be able to go out and buy things for their home or to travel or spend money to keep the economy going.

Do you have any thoughts about that, about taking this money out of the hands of seniors who could be spending it in the local economy?

Mr. Andrew Jackson: My guess would be that for people who are 45 to 50 now and who see and register that this is happening, I don't think it's going to make a hell of a lot of difference in how much they save. They're not saving very much anyway, that we know of. I think that's why they've advocated expansion of the CPP. It takes that element of personal choice out of it, to a degree, and it also, of course, requires the employer to contribute to pensions. I think people will just generally say, well, I guess 65 isn't retirement age for me and I'm probably going to have to work till 70. This is, I think, about changing people's expectations.

I think the problem will come when they turn 65. What then happens to those who aren't able to continue to work, who can't get a decent income from work?

Ms. Peggy Nash: That's what I'm thinking. I live in an area with a lot of small businesses. If people don't have the money to be able to sustain themselves and shop in those local businesses....

But let me just ask as a last question whether you think it's a surprise to governments, and to this government, that baby boomers are going to be retiring. Why do you think the government has suddenly discovered there's a problem here with OAS, when the OECD and others have said there is no problem? Why now?

The Chair: A brief response, please.

Mr. Andrew Jackson: I'm still in the world of the optimist when it comes to the expansion of the Canada pension plan. I think we still have a majority of the provinces prepared to support expansion of the Canada pension plan, because they do see that looming problem. There are moments when the Minister of Finance seemed to have heard their message and to be thinking about it. It's still in play, so I think that CPP debate will continue.

Frankly, I see the OAS decision as curiously at odds with that because we know people aren't saving enough. We know private pension coverage is shrinking, and to just take away that basic building block of OAS for a couple of years, I think, further undermines the situation.

The Chair: Thank you.

Thank you, Ms. Nash.

Mr. Van Kesteren, please.

Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC): Thank you all for coming this afternoon.

Mr. Jackson, you're right. There is an alarming rate of young people who are having difficulty finding jobs. It's not just in Canada, though, is it? I think I read that in Spain it's 25%.

Mr. Andrew Jackson: Fifty per cent.

•(1805)

Mr. Dave Van Kesteren: Fifty per cent. What do you think? What do you think is the biggest problem? I'm asking you because I really don't know.

Mr. Andrew Jackson: It sounds a bit simplistic, but I think the reality is that in any economy that has high unemployment, most of the brunt of that is going to fall on people who don't have the skills and experience. Given the choice, most employers will hire the person with the skills and experience.

I think an example of where you can learn from other countries is Germany, where the overall unemployment is quite low but youth unemployment is also very low. I think part of the reason, if you take Germany, the Netherlands, and some other countries, is that they really have a very structured way of taking young people out of the educational system into employment through apprenticeship programs. It looks like that's the case. My impression is that German and Dutch employers see the socially responsible thing to do as continuing to maintain the people they're bringing into those programs. So the direct fallout for young people has been much less there than here.

Mr. Dave Van Kesteren: Have you in the labour congress thought about giving some ideas on that? I think you're right. I've

heard that about Germany as well. I think they fast-track kids maybe by the 9th grade or something. The kids know where they're going to go. If they have more ability to work in the trades, they are moved there.

Have you thought about that in terms of making a recommendation to the government? You mentioned something about skills training too—and I agree with you. I think we have to start to recognize that. I see a day and an age—and I believe we're there—where we can't have east and west in labour. We have to work together.

Has labour thought about a concrete plan they could come up with and present to the government in regard to where we might avoid the pitfall that's happening in places like Spain?

Mr. Andrew Jackson: Here are two quick thoughts. First of all, I think one disappointment in the budget when it comes to EI is that we haven't expanded investment in the training of unemployed workers through EI. The government did put in additional resources for that during the recession, but that's run its course.

Now's the time. The argument against spending that money in training is that the payoff hasn't been that big. But if we really believe there are going to be major and growing skill shortages in Canada, then putting that money into training now should have a much significantly bigger payoff than in the past.

I think what we need to look at is a targeted intervention. If so, I think it would be around giving young people work experience. So what I'd be looking at now would be summer job terms and placements—some sort of incentives to employers to create that experience for young people.

Part of the problem—though I shouldn't talk about it.... What we see in Quebec with the student protests is in part about the tuition fee, but it's also this view that a lot of young people are spending more and more time in the educational system, because I guess there aren't job opportunities there for them and they're not getting much work experience along the way. I think we really need to marry our educational system more closely with where the jobs are going to emerge and give people some experience in those areas.

The Chair: There's a little over a minute left.

Mr. Andrew Jackson: I might mention that the CLC is partnered with the Canadian Manufacturers and Exporters and HRSDC in what's called the Roundtable on Workplace Skills, which brings labour, employers, and government officials together to think about some of these issues. It's a pretty low-key operation, but I think there are productive discussions going on between employers, unions, and the government around some of these workforce issues.

Mr. Dave Van Kesteren: Mr. Clemens, did you have a few comments in that regard as well about future training?

Mr. Jason Clemens: One problem that we observe in many industrialized countries is, for one reason or another, the ethos that we've created that if you don't go to university, you're a failure. Even if you look at the past 20 years in terms of government expenditures, these tend to be allocated toward the university. I can tell you that there's a whole set of trades that are not going to be replaced by a robot.

So part of it is just about taking leadership and changing that ethos to the effect that it is an honourable task and job to be a plumber or a carpenter—or a whole set of tasks that are largely at the community college level, if not exclusively at the community college level.

Again, I would leave this to the provinces, to be respectful, to sort out, but some general leadership is needed about the fact that not everybody has to be an economist or a doctor or a lawyer, or whatever, that it is equally acceptable to go to college or to apprenticeship programs.

The key, though—and where I think Andrew and I agree completely—is that we've got to ensure that kids finish grade 12 and don't see that as the finish line, but say, okay, I need another two years in apprenticeship. Again, I think much of that should get sorted out at the provincial level.

The Chair: Thank you.

Thank you, Mr. Van Kesteren.

Monsieur Caron, please.

[Translation]

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

My colleagues have spent a lot of time talking about Old Age Security. I am going to take a bit more time to talk about employment insurance. In my constituency, in the east of Quebec, it is a specific concern.

My first question goes to you, Mr. Céré, because you know the reality too. The reforms were announced on Thursday morning. On Thursday afternoon and Friday morning, I spoke with a lot of people in my constituency at some public forums I held on various issues related to Bill C-38.

What surprised me was that more employers than workers came to see me about the problems that Ms. Finley's proposed reforms were going to create. Among them were employers from ZECs—controlled harvesting zones. They were in tourism and cabinet-making. They all told us that they were having a lot of difficulty because they train their workers in the specialist ZEC areas, such as tourism and cabinet-making. Since the employment is seasonal, they have to lay off their employees for two, three or four months. The workers try to find other jobs but getting employment for two, three or four months is not the easiest thing in the world. The employers can hire them back and so can get back the expertise that they provided. The employers are thinking that, because of the reform and the measures that are proposed, they may well lose the employees whom they have trained.

I would like to know what you think about that. You mentioned a lot of employees and workers who are affected. But I feel sure that employers in a region like mine and like those in Atlantic Canada, may well be adversely affected too.

• (1810)

Mr. Pierre Céré: Since last Thursday, the reaction in Quebec seems to be quite unanimous. We mentioned the media, and the commentators and columnists from all the newspapers. But we have also heard from employers. Last Thursday, the chief economist of the

Quebec Employers Council said that things were going way too far and this was not what employers wanted.

We keep an open mind. In 2010, less than two years ago, sir, we brought together the principal, very senior, employers' representatives around a big table in Montreal to talk about employment insurance. There was the president of the Quebec Employers Council, the Fédération des chambres de commerce du Québec, the Canadian Federation of Independent Business, Manufacturiers et Exportateurs du Québec, as well as leading union representatives. The meeting lasted an entire day, right in the middle of August. There was unanimity between the employers and the unions: the government is doing what it likes with the employment insurance program and with our premiums, with money belonging to the employers and the workers. The employers also told us very clearly that the government in Ottawa was not listening to them. That is why the reaction in Quebec is unanimous in opposition to the government's proposals.

Mr. Guy Caron: Do I have time for two more questions?

[English]

The Chair: Yes.

[Translation]

Mr. Guy Caron: It has often been said that the proposed measures are going to put a downward pressure on salaries. Do you agree with that?

I am sorry, Mr. Smith. Mr. Céré, you can start, and then Mr. Jackson and Mr. Clemens.

Mr. Pierre Céré: Certainly. Take the example of a carpenter making \$20 per hour in his region. He is a seasonal construction worker and he is laid off. Starting in the first week in which he is unemployed, he has to take a job at 80% of his previous salary. Starting in the seventh week, he has to take a job at 70% of his previous salary. Any employer could offer him the same job as a carpenter, for example, but at \$14 per hour. If he refuses, he will lose his benefits.

Mr. Guy Caron: Mr. Clemens, do you agree that it could put a downward pressure on salaries?

[English]

Mr. Jason Clemens: The changes in OAS?

Mr. Guy Caron: No, EI.

Mr. Jason Clemens: Sorry, I didn't prepare for EI.

[Translation]

Mr. Guy Caron: Mr. Jackson?

[English]

Mr. Andrew Jackson: I'm somewhat torn on how to respond to this because I think the reality right now is that what workers do, for the most part, as they near the end of their claims, is to accept jobs at lower wages. So I'd like to know what evidence there is of workers in the current situation turning down suitable job offers. I think it's hugely exaggerated. Certainly in Ontario throughout the recession, we saw workers accepting jobs at much lower wages, especially older workers, than used to be the case.

So I think it's very exaggerated, this idea that unemployed workers are sticking around with.... But if it's going to make any difference at all, it is going to push down wages for some, especially in the high unemployment regions.

[Translation]

Mr. Guy Caron: Thank you, sir.

I was asking the question because, in my constituency—

The Chair: Mr. Caron, your time is unfortunately up.

[English]

Ms. McLeod, please.

Mrs. Cathy McLeod (Kamloops—Thompson—Cariboo, CPC): Thank you, Mr. Chair, and I too would like to thank the witnesses.

I have two quick comments and then a question.

Certainly, I've looked at the arguments for and against the sustainability of OAS and though I'm not an economist, given the numbers I've seen, intuitively I really do believe we have a significant issue and that the government has had to make a very difficult decision in moving forward on that issue.

I thought Mr. Clemens' comments were very interesting on there perhaps being some opportunity in the future to address how we look at that piece. Nonetheless, I thought as an individual that if I were to have my OAS clawed-back—which wouldn't be popular—I would almost say, "You know what, there are bigger safety net holes for children than there are for seniors". So I think that's a completely complex and different discussion that we could have.

In terms of EI, again, I don't think anyone here can disagree with the fact that people on EI should get regular notices of opportunities above and beyond the job bank. If you do, maybe you can put up your hand and we can engage in that debate.

I don't think anyone would argue with Canadians really knowing what opportunities there are around the temporary foreign worker program. I think, again, what we have a debate on is reasonable. Certainly, the government's opinion on having some very modest reforms and not relocating people to different communities is reasonable, and not looking at people making dramatic changes, but just providing those supports so they can move forward. Certainly, I don't think it's as dramatic as has perhaps been indicated.

Having said that, those are my two pieces that I wanted to talk about. I do notice that Mr. Clemens has some expertise in health care. I know it wasn't what you prepared for today, but I do want to quickly touch on it because I think it's important to all Canadians.

I had the opportunity in mid-2000 to do a lot of work around international comparisons. I went into that process very proud of Canada and our system, thinking that I would leave that process believing that we're the best in the world. I was quite quickly dismayed about what we were doing and where we were going, especially in terms of outcomes for expenditures.

You have probably noticed that as a government we have made significant commitments in terms of increasing these expenditures out to 2016-17. We believe there are many opportunities, and I think

many countries have shown us that there are opportunities, within our current expenditures. Would you like to talk about your perspective in this area?

• (1815)

Mr. Jason Clemens: Sure. I think the Liberal reforms of 1995 and 1996 to the welfare system are the framework for reforming health care. The Liberal government essentially removed most of the national standards and cut the block grant, but gave the provinces significantly more freedom to experiment, innovate, and learn from one another.

I think that general framework is to some extent the path we're on, although I do think there are still significant federal impediments to experimentation and innovation based on successful models in OECD countries who provide universal health care. I spent three and a half years in the United States, and it is not a model that we should replicate, although there are some lessons we can learn from it. I think we should be looking to countries such as France, Germany, Switzerland, Sweden, Australia and, to some extent, Japan.

What I would hope for is that we could have a conversation on making a universal, portable Canadian system that is the best on the planet, by learning the lessons from those countries as to how they deliver universal, portable health care. I think the next step for the federal government, which is a very difficult one, is going to have to be a discussion about the Canada Health Act and how aspects of the Canada Health Act prevent reforms that we see in other OECD countries who have universal health care.

I don't underestimate how difficult that conversation is going to be, because most Canadians, for one reason or another, have a false dichotomy in their heads that we either have the status quo or we have the American system. The reality is that there are a number of lessons we can learn from other countries who have universal systems, whereby we can improve health care dramatically within the current envelope of spending. That would be the general framework that I'd suggest. There are obviously more specifics, if you'd like.

The Chair: Okay.

We're out of time here, so thank you, Ms. McLeod.

Ms. Glover, please.

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

I welcome all the witnesses.

I'm going to ask a couple of questions. First of all, I'm going to ask about the rate-setting mechanism in the EI section, and I'm also going to ask Mr. Smith about the P3 project.

Let's start with Mr. Jackson, if we could. What do you think of the EI rate-setting mechanism changes?

Mr. Andrew Jackson: Well, as you'll recall, our preference was basically for the premium payers to pay for the cost of the program in terms of regular benefits, for what I'd describe as a normal rate of unemployment, which would be about 6%, and then for the government to pick up the cost of recessions.

By effectively capping—

•(1820)

Mrs. Shelly Glover: Do you know what it is?

Mr. Andrew Jackson: Sorry?

Mrs. Shelly Glover: You know what it is?

Mr. Andrew Jackson: I know what it is.

Mrs. Shelly Glover: All right. Because we've had a conversation about it before.

Mr. Andrew Jackson: It's going up by five cents.

Mrs. Shelly Glover: No, no, about the mechanism—not the premium, but the mechanism.

Mr. Andrew Jackson: You'll have to remind me, because....

Mrs. Shelly Glover: Okay. Well, the mechanism is this. We've said that what we're going to do is to allow it to be set annually, and then once we return to balance, we're going to look at the seven-year historical data—which was agreed almost unanimously by all of those who partook in the EI report consultations, including you. So we've actually followed the advice about doing the historical stuff.

So I ask you again, what do you think of the mechanism?

Mr. Andrew Jackson: Well, I will refresh my memory and reread it. It always seems so far off that we get to that point of balance that I

Mrs. Shelly Glover: Okay. I—

Mr. Andrew Jackson: We're going to take at least five or six years before we return to balance, I believe.

Mrs. Shelly Glover: Well, no. Because you've spent so much time talking about the EI stuff, I thought you'd looked at the other stuff. This is a really big book, and there are only two sections that have been talked about. The whole section on EI hasn't been talked about, but it surprises me that you aren't aware of that very important issue.

Nevertheless, I'm going to turn to Mr. Smith, because I come from the city of Winnipeg, where the Chief Peguis Trail was a tremendously successful project that was run through PPP Canada. For the benefit of my colleagues, I want to read a couple of quotes from some city officials with regard to this project, because the project was on budget and finished a year early.

Here's what city councillor Jeff Browaty said: It's quite miraculous...I think it's a lot to do with the innovation of it being a (P3 Canada fund project).

Here's what Mayor Sam Katz had to say: It's a pretty phenomenal performance. I think that just goes to show how in certain situations, a P3 is the ideal approach to take on projects...we're very happy with the result.

Having said that, I note that there are some changes in this budget that are about to come about. I want you to explain for us, Mr. Smith, how the amendment in today's act will actually better allow P3 Canada to interact with federal departments to provide expertise on public-private partnerships, if you wouldn't mind.

Mr. Greg Smith: Thank you.

The Chief Peguis project was very successful, and we're proud to be a part of that.

Bill C-38 will allow us to enter into very formal, direct relationships with federal departments and agencies to provide our advisory services and pass on to them the knowledge and expertise we've acquired from implementing the P3 Canada fund over the past three years. That's what it will do for us.

Mrs. Shelly Glover: If I take the Chief Peguis project, can you just explain to us how it worked before these changes were made and how it will work once these changes are made? Can you just verbalize for us in what way it will look different?

Mr. Greg Smith: I'll respond first by saying that there is a well-established best practice with respect to implementing a P3 project, all the way from doing a needs assessment for the asset to working your way through a procurement options analysis, where you will in fact look at whether the P3 option is better than a traditional procurement. If that is still generating value for money, you then go into the procurement process through an RFQ, usually qualifying three proponents to bid on it. You move into an RFP process, which culminates in your choosing a preferred proponent with whom you will enter into a long-term contractual arrangement. That process would operate the same way for a federal project as it would when we provide funds to provinces, municipalities, and first nations. So that would be the same. What this does, though, is to bring us into the federal family. As a crown corporation in the federal business, we are outside of the federal family. By being an agent of the crown, we're able to share confidential information and provide departments with the very frank advice they're looking for when they're doing their business planning process.

•(1825)

The Chair: Thank you, Ms. Glover.

We have a couple of minutes left.

As the chair, I just wanted to follow up on some of Mr. Clemens' comments with respect to the changes to OAS.

You talked about how OAS will interact with the RRIF guidelines. You also talked about looking at the marginal rate of taxation.

As you know, we've moved the age from 69 to 71. Some witnesses who appeared before the committee on previous issues have said that we ought to look at moving it up more. Others have said that we ought to look at the mandatory withdrawal amount. I wanted you to perhaps address that question first, in terms of your preference or any advice you'd have on it—and then I have a second question on marginal rates of taxation.

Mr. Jason Clemens: The thing I would stress most on the RRIF is a flexible framework. Whether that is dealing with the mandatory minimums to be withdrawn or the age, as I say, my preference would be to have a flexible framework so that it recognizes different people in different circumstances. But clearly the implication is that the age would be increased. If we're going from 65 to 67, it seems to me we should be looking at 73. Again, I think the move from—

The Chair: You mean looking at 73 for the RRIF.

Mr. Jason Clemens: That's right. It's for the RRIF.

Again, I would also include in that the mandatory amount that's withdrawn on a regular basis. But, again, the larger concern I have is how OAS and GIS interact with the private, public, and provincial plans, programs, and regulations.

The Chair: To what extent? Can you expand on that for me then?

Mr. Jason Clemens: If we're talking, for example, about the private pension, much of the legislation is at the provincial level. We then need to understand what changes are going to be made at the provincial level so that they're congruous with what's being made at the federal level so that, to the greatest extent possible, there is harmony between the regulations at the different levels. This plays in, to some extent, to benefit programs and the marginal tax rate comment that I made.

The Chair: On the marginal tax rate, then, we have, obviously, the four brackets. There's a sizeable jump from the 15% rate to the 22% rate. When you're talking about marginal rates, is that where you're focusing most of your attention?

Mr. Jason Clemens: Well, in fact, I think the key consideration is the scaling back of benefits. So I think the marginal effect has much more to do with whether, if I get an extra dollar of income, I am putting benefits in jeopardy. Again, if you have a pension that you're now having to take income out of while you're working, depending on the marginal effective rate, it could be such that there's a disincentive for you to work, which is why I think coordination is key.

The Chair: Just so I understand correctly, you're saying that if someone is collecting OAS and then returns to work, and they collect more, then their OAS gets clawed back. So at the end of the day, they're not sure why they're returning to the workforce because there's no benefit.

Mr. Jason Clemens: I think, Mr. Chair, that one of the key things we didn't talk about was the deferral program for OAS. I know Jack Mintz at the University of Calgary is a champion of this. I think he's on the right track, because it does give the individual or the household a great degree of flexibility for that period of time when they can defer OAS, then work without risk of losing an OAS benefit, and then get a higher benefit over a shorter time period.

I think those types of mechanisms allowing for more flexibility in decision-making by individuals and households are critical, particularly as some of the discussion today has, I think in an implicit way, assumed that the changes are being made today. The changes are a decade and a half to two decades down the road. To assume that our economy will look the same as it does today in two decades' time, I think is challenging, to say the least.

The Chair: Okay.

I did want to finish up.

I think it is a fair question to ask what is the rationale for the government acting with respect to OAS. I'll just read a quote here:

The major demographic transition that is underway in Canada will strain governments' finances over the next several decades. During this time, population ageing will move an increasing share of the population out of their prime working-age years and into their retirement years. This will put downward

pressure on revenues, as growth in economic activity, and therefore the tax base, slows. At the same time, ageing will put upward pressure on programs whose benefits are entirely or disproportionately realized by Canadians in older age groups, such as elderly benefits and health care.

That's from the "Fiscal Sustainability Report 2011" of the Parliamentary Budget Officer.

I don't have much time left, Mr. Jackson, and Mr. Clemens, but that, it seems to me, is a very strong rationale for why the federal government needed to act with respect to health care transfers and the OAS.

I don't know whether you have any comment on that.

• (1830)

Mr. Jason Clemens: Again, if we're talking about health care reform, I think the model is the 1995-96 reforms of the Liberal government. I think the current government has taken steps in that direction. I think the key, though, now is on the regulation, through the Canada Health Act, on what the provinces can actually do.

On OAS, as I've said, by the actuary's own data, it's going to go from one in five dollars of federal spending to one in four. As a simple mathematical identity, it means that other spending has to be cut to accommodate that spending in the current revenue envelope, or additional revenues have to be raised. So that to me is the question of sustainability.

Again, I do think taking a forward step this far in advance of the problem is an excellent first step. I just think there are additional steps that the government should consider.

The Chair: I appreciate that.

I want to thank you and I want to thank all our witnesses for their time today. If they have anything further to submit to the committee, I'm asking them to do so, and we'll ensure that all members get it.

Colleagues, we have another panel, but I will suspend for a couple of minutes to allow them to come forward.

Thank you.

• (1830)

(Pause)

• (1835)

The Chair: I call this meeting back to order.

I want to thank our guests for coming in this evening.

We have Mr. Paul Kennedy and Ms. Jane Londerville. We also have two officials from the Department of Justice, Mr. Michael Zigayer and Ms. Sophie Beecher. From Public Safety, we have Stephen Bolton. From the RCMP, we have Mr. Joe Oliver. And from the Windsor Police Service, we have Mr. Jerome Brannagan.

You will each have up to five minutes for an opening statement, and then we'll have questions from all the members.

We'll begin with Mr. Kennedy.

Mr. Paul Kennedy (As an Individual): Thank you very much, Mr. Chair.

I'm going to be speaking to the issue of the elimination of the Office of the Inspector General.

The protection of the national security against threats is of the highest priority, and the men and women who dedicate their professional lives to this task deserve our sincere thanks. At the same time, we must acknowledge that the presence of a domestic intelligence agency that covertly investigates persons within Canada, including Canadian citizens, for activities that are not necessarily unlawful but are suspected of being threats to Canada, is on its face inconsistent with democratic values.

Because of their covert nature, security intelligence activities do not lend themselves to a traditional accountability model. While all government institutions are subject to the Access to Information Act and the Privacy Act, which acts allow individuals to access personal information that individual departments or agencies may have collected, any such request to CSIS would elicit a "neither confirm or deny" response.

This normally unacceptable situation is currently accepted in Canada because we recognize that Canada faces security threats that must be investigated if we are to preserve our democracy; that traditional accountability models would compromise the intelligence agency's ability to protect us against threats; and that following the FLQ crises, the Royal Commission of Inquiry headed by Justice MacDonald and in-depth deliberations by a joint committee of the House and the Senate headed by Senator Pitfield resulted in the crafting of a thoughtful oversight/review regime that forged an acceptable balance between the realities of intelligence work and the imperatives of a democracy.

That regime, in addition to the creation of SIRC, placed the Minister of Public Safety in a direct line of accountability for the investigative actions of CSIS. The minister's personal approval is required for every court application to intercept communications and to conduct searches. That isn't just a general authority. He has to look at it and approve it. The minister may direct whom the service may or may not investigate. By way of contrast, the minister's resignation would be demanded were the minister to seek to exercise such a role in regard to the activities of the RCMP. Inappropriate behaviour by CSIS falls at the feet of the minister. He cannot distance himself from their actions as he would with the RCMP.

The Minister of Public Safety presides over a vast portfolio that engages some 40,000 public servants. It is impossible for him to know whether each individual is conducting his or her responsibilities in accordance with the law, operational policies, and ministerial directives, and whether powers are being exercised in a reasonable manner. It is for this very reason that we have the Office of the Inspector General. That office audits the investigative activity of CSIS at the case-file level to ensure that it is complying. The Inspector General reports directly to the minister and provides assurances that matters are on course or provides a heads-up as to potential problems.

When one considers the personal accountability assigned to the minister by Parliament, one can understand the need to provide the minister with a set of independent and professional eyes and ears that will permit him to fulfill his role properly. Without such an office, the minister would be blind and entirely at the mercy of the intelligence service. This is not a reasonable or desirable outcome.

Both the RCMP Security Service and CSIS have had more than their fair share of troubles. Edmund Burke once said that those who don't know history are destined to repeat it. The financial cost of past missteps in the area of national security, measured simply in terms of Commissions of Inquiries, runs to the many tens of millions of dollars, and that's not counting the loss of public support. There can be no acceptable excuse for failure to detect mistakes.

I know that you are worried about costs. As a cost exercise, the cost associated with the Office of the Inspector General is a small price to pay if one wants to maintain a covert intelligence agency in Canada. If you choose to eliminate this office, I'd recommend that you accompany it with the following common recommendation that future missteps by the intelligence service will be accompanied by the resignation of the Minister of Public Safety. Wilful blindness as to potential problems at CSIS must carry a price. After all, all responsibility ultimately rests with the minister.

• (1840)

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

We'll now hear from Ms. Londerville, please.

Professor Jane Londerville (University of Guelph, As an Individual): I appreciate the opportunity to appear before this committee regarding division 11 of the budget bill. I've been a professor of real estate at the University of Guelph since 1993, teaching and doing research in the area of housing and mortgage finance, among other interests. I've written several articles about the mortgage finance system in Canada for the Macdonald-Laurier Institute, which are available on their website.

Canada can be justly proud of our mortgage finance system. Careful underwriting and legislation has allowed us to weather the global financial crisis better than almost any other country. While the system is strong, improvements can be made. The legislation regulating covered bonds in division 11 is important. Many European investors are not permitted to invest in covered bonds in countries where there is no legislation. So this will help the banks market these securities, bringing more money into the mortgage finance system.

On the other hand, financial institutions are prevented from using insured mortgages as collateral in these—and that will have the opposite effect. Investors do prefer secure insured loans in an investment pool. So this does reduce the demand for mortgage insurance—which was the goal of restricting that—particularly that purchased by banks on loans that don't need to be insured. So, overall, I think it is a sensible measure.

The legislation recognizes a major shift in CMHC's focus over the years. Mortgage insurance and securitization compose a large and growing portion of the corporation's activities relative to those related to social housing.

Private mortgage insurers are overseen by the Office of the Superintendent of Financial Institutions, and this moves CMHC into that realm as well. I don't anticipate that the annual reviews by OSFI will raise any alarms. CMHC has been very prudent in their management of their mortgage insurance portfolio and holds twice the reserves recommended by OSFI.

The legislation also places the deputy minister of Finance and deputy minister of Human Resources and Skills Development Canada as ex-officio members of the board of CMHC. It's critical that in an effort to properly oversee the commercial activities undertaken by CMHC, we do not forget their vital role in housing policy and the provision of affordable housing for lower income households and individuals in Canada.

The legislation also requires that CMHC make available to the public the books, records, and information that are required by legislation. It is not yet clear what will be required under this, but I look forward to greater transparency of information from CMHC along the lines of what private mortgage insurers are required to provide.

Despite the positive aspects of the proposed legislation, I have a couple of remaining concerns. The mortgage insurance policies of CMHC, as a result of it being a crown corporation, are implicitly 100% guaranteed by the federal government under the Basel Accord. As a result, CMHC mortgages require no capital reserves by financial institutions. The protection limit for private mortgage insurance companies is only 90%.

As a consequence, the banks, whose loans are insured through a private firm, must set aside some capital reserves against the possibility of default by the insurer, which is not a requirement for CMHC loans. Thus, rates of return are higher on CMHC-backed mortgages, and when profit margins are thin and banks are nervous about capital reserves, as in the financial crisis beginning in 2008, that made a major difference.

CMHC argues that the difference in the guarantee is necessary because of their social mandate and the fact that they insure multi-unit residential buildings. In their latest annual report they state that "46.5% of our total rental and high ratio business addressed gaps in the marketplace left by private sector competitors".

This is where more public access to CMHC data would be helpful. CMHC has a monopoly on the provision of loan insurance for multi-family buildings, including nursing and retirement homes. If the private sector is not permitted to compete in this area, it does not make sense to include these loans in any comparison with them. There's no indication that CMHC does not make a profit on the provision of this insurance. An objective and thorough analysis of the geographic location of privately insured loans relative to CMHC is necessary to back that statement up, and I'd be surprised if there's any material difference. The lender, not the borrower, decides who will insure a mortgage loan—CMHC or a private insurer.

So this is not a competitive marketplace with consumers freely choosing which company will insure their loan, even though they're the ones who pay the large upfront fee. CMHC currently has 70% of the market and one party having such a dominant share, to me, implies inadequate competition.

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

Thank you.

• (1845)

The Chair: Thank you very much for your presentation.

Does the Department of Justice have an opening statement to make?

Mr. Michael Zigayer (Senior Counsel, Criminal Law Policy Section, Department of Justice): Mr. Chair, no, we don't.

The Chair: Okay. You'll be responding to questions. We have had Mr. Bolton and Mr. Oliver before, so I don't know if you wish to add to that statement, or if you'll simply be available for questions.

I do have a statement from Deputy Chief Brannagan. Welcome to the committee and please give your opening statement.

Mr. Jerome Brannagan (Deputy Chief, Operations, Windsor Police Service): Thank you very much.

Windsor, Ontario is home to 200,000 citizens and welcomes thousands of visitors daily through the Windsor-Detroit Tunnel, the Ambassador Bridge, and by way of boat across the Detroit River. The river is one kilometre wide, separating the great countries of Canada and the United States of America. It stretches about 22 kilometres along the Windsor border.

The mission of the Windsor police service is "to prevent and investigate crime, to provide support and to enforce the law in partnership with the community". We take our mission duties very seriously. Probably the most important component of our mission is partnerships, the relationships we have developed over many years within our regional community and with law enforcement partners.

These law enforcement partnerships encompass municipal agencies, along with provincial, state, and federal law enforcement groups on both sides of the border. We all require the support of each other to keep our cities and regions safe and secure.

The Detroit River plays host to almost a half million recreational boats from both Canada and the United States during the warmer months. Close to 5,000 commercial or ocean-going ships will dock in Windsor or Detroit or pass between Canada and the United States along this section of the Detroit River yearly. It is an extremely busy waterway.

The Windsor police service's main responsibility is to the citizens of Windsor. That being said, we accept our role as first responders to any police-related matter that occurs in our city or region; this includes the Detroit River. Sometimes these issues may have a more direct impact on provincial or national interests. Certainly, the link to Canada along the NAFTA highway, from Mexico through the United States and across the Ambassador Bridge into Windsor, would be one such example.

As first responders, the Windsor police service is familiar with many issues surrounding the policing of the Ambassador Bridge. It also holds true for policing the waterways between Detroit and Windsor. Police partnerships in my region have grown exponentially into incredible, trusting, focused relationships, all with the same goal: protecting and serving our citizens. We have found ways to fight cross-border crime from previously informal ways of working things out to a more standardized, official and, most importantly, an authorized-by-law manner of policing.

Windsor police has been a member of BEST, the Border Enforcement Security Task Force, since 2009. A Windsor police officer works with numerous multijurisdictional law enforcement agencies from Ontario and the United States in an office in Detroit, Michigan. The creation of this BEST unit has allowed my police agency to acquire real-time intelligence information from the United States. We can then act on that information, or disseminate it accordingly.

Thanks to title 19 training, my officers have all the authorities of a United States customs officer and are authorized by United States law to carry firearms into the United States of America.

We've had numerous cross-border investigations end successfully in both Ontario and the United States. For many years, criminals have taken advantage of the failure of law enforcement to cooperate in cross-border investigations. Illegal commodities, such as firearms, drugs, and human smuggling, have flourished through cross-border transport. We need to continue to cooperate in this sensitive style of police work to make it that much more difficult for organized criminals to exploit our cross-border law-enforcement weaknesses.

Shiprider is certainly a valued, enhanced threat to organized cross-border crime. The Windsor police service believes in and embraces Shiprider's value and we welcome the partnership it creates between Canada and the United States of America.

Thank you.

• (1850)

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

We'll start with Ms. Nash for members' questions.

Ms. Peggy Nash: Thank you very much, and welcome to the witnesses.

I'll start with you, Mr. Kennedy, on CSIS. I have to start by saying that we're dealing with a very large piece of legislation with very many topics. This evening we're dealing with EI, pensions, public-private partnerships, CSIS, CMHC, and cross-border law enforcement. So we're dealing with many-splendored topics.

When we had government officials here, last week I think it was, they said that the rationale for removing the Inspector General from oversight of CSIS was that it was a duplication and that the SIRC could just as easily provide that same service, that it was the same oversight, even though right now, as I understand it, the chair of SIRC is vacant. They said this is simply a duplication.

From your comments, it sounds as if you would not agree with that analysis. Can you explain why?

Mr. Paul Kennedy: One thing I'd recommend, and I'm surprised not to see, is more cans of Red Bull out here.

Some hon. members: Oh, oh!

Mr. Paul Kennedy: It's a testament to your endurance. I got a headache just listening to parts of the last panel.

I've had 20 years in the national security area. It's an area that's very fraught with challenges, where you have to have a healthy regard that someone is watching you. Everything's covert, everything's secret, and you think you're getting away with things. But one of the realities I tell people is that there's no such thing as a secret. It's useful for politicians to remember that too, especially if you're in government. They're tiny time capsules. Those things will blow up in your face after a day, a year, five years, or ten years; if there's anything wrong, it will come out.

If you look at the report that was released by the Inspector General in May of this year, she goes back over a period of time, and it is certainly written as a farewell piece. You'll see that I articulate in my brief some of the reasons for what she does, and what's unique in the work the Inspector General does.

One of the key things is that SIRC is largely a reactive body. They deal with highly strategic issues and public complaints. They can be asked to do something, and if they choose to they can do something the minister asks of them. The IG is there to serve the minister. The minister can say, "You do it for me because your job is to tell me. It's not to go out and tell the public". You control the service's activities by operational policies and ministerial directives, plus obviously the law, because those come from mistakes that have been made in the past 28 years. I was their general counsel, so I know. I was there for a lot of the mistakes. I didn't necessarily make them, but how do you fix them? You control your IOs by developing policies.

The IG has a unique power: the ability to monitor. You don't see that kind of language used for SIRC, which does post-factor reviews. So the IG can actually monitor active investigative files to see how you are doing this, whether you have complied with those policies, and what kind of performance you are getting.

When I looked at it I didn't see anyone giving SIRC the power to monitor. As a matter of fact, I didn't see anyone transferring the files from the IG to SIRC for them to do anything. I don't know what's going to happen to them. Usually legislation would provide for some transition. Does that mean they just sit there, and 28 years of work dies? No money has been transferred, so that million dollars disappears. No personnel have been transferred, therefore no expertise. So you have someone who has some of the same things, but not the same powers.

If you look at what they do, they get down to the nitty-gritty. They'll tell you, "You've got problems with your computer system. You're not tracking the data. You're not tracking to whom or with whom you're sharing your data". There's all sorts of stuff they do that's not otherwise being done.

● (1855)

Ms. Peggy Nash: Those are really helpful points you're making. I have only 30 seconds left. We have such a short time.

Do you think the outcome of this, which is being presented as a cost-saving measure, could actually lead to a repetition of some of the old problems Canada used to have with the RCMP years back when we didn't have this kind of oversight?

Mr. Paul Kennedy: As I mentioned, it was born out of crises. I was there during a whole series of crises. It's impossible for an intelligence service to define or defend its position in the public, because they'd say, "I can't tell you what it is. It's classified information". It requires, on the goodwill of the people, that there are vigorous regimes there that would have detected it...and to have someone else speak on their behalf, to assure the minister—or [*Inaudible—Editor*] through the public. When you don't have that you end up with public inquiries.

Almost all the RCMP who went through the bad days, when members were charged with criminal offences for their activities during the Quebec crisis, are gone. There are mostly civilians there now who have never had that experience. You're going to find them making new mistakes.

The Chair: Thank you.

Thank you, Ms. Nash.

We'll go to Ms. Glover, please.

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

I welcome the witnesses.

I'm a little surprised by Mr. Kennedy's statements, given the officials who were here, including Public Safety, who presented on this topic. In fact, many of the things that were outlined to us as parliamentarians are not what have been suggested by Mr. Kennedy.

Mr. Kennedy, were you able to watch the proceedings of the officials?

Mr. Paul Kennedy: No, I was happily enjoying my retirement until I saw this bill.

Mrs. Shelly Glover: Perhaps we ought to explain for your benefit that many of the things you've suggested are actually wrong.

Mr. Paul Kennedy: Terrible.

Mrs. Shelly Glover: I would suggest that you might want to review what the officials said, because they made it very clear that many of the things you mentioned would actually be transferred.

Nevertheless, I want to take the opportunity to ask some questions about the integrated cross-border law enforcement suggestion. We have before us a change to the act, which I think will allay some of the myths surrounding our national sovereignty issues. A lot of different people have said there are sovereignty concerns, and I want to give our representatives an opportunity to allay some of those myths, because I think there are steps in the bill that might do that. So I want to open this up to you so you can address those myths, please.

Justice or Public Safety—or whoever wants it.

Mr. Stephen Bolton (Director, Border Law Enforcement Strategies Division, Public Safety Canada): Thank you for the question. It is an interesting question actually, and it's one that we've discussed and thought about quite a bit. To start off with, when you look at integrated cross-border maritime law enforcement, it does work as a multiplier effect of sorts in terms of your resources at the border, in terms of increasing your coordination among law enforcement at the border. In general, what that does is it allows you to address cross-border criminality at the border more effectively than you were doing before. By doing that, in effect you are asserting your sovereignty, by dealing with threats and addressing issues of cross-border criminality at your border, protecting Canadians and protecting Canadian communities. So in that way, as a model it is quite effective.

The bill itself does take certain precautions to ensure and safeguard Canadian sovereignty, including enshrining in the legislation the fact that if you have a U.S. law enforcement officer working in Canada, that law enforcement officer would be working under the control of a Canadian law enforcement officer, that is, under the host country, with the laws of Canada being enforced and the rules and procedures and policies of Canadian law enforcement being followed. That in itself is a way of ensuring or asserting sovereignty by maximizing those resources.

I'll turn it to Michael.

● (1900)

Mr. Michael Zigayer: This legislation implements a treaty that we've signed with the Americans, and the treaty itself contains a recognition of the importance and the principle of the sovereignty of states. That is incorporated in the statement of principles found in the bill, under clause 368.

To follow up on something that Stephen said a moment ago, we are contributing with the Americans a certain number of resources at the border. Let's say we have four vessels; that's as much as we'd have in terms of our own law enforcement capability or resources. By partnering with the United States, putting a Mountie and a member of the U.S. Coast Guard together onboard one of those vessels, and then contributing another four vessels, we've effectively doubled the resources of both countries—and they're all able to patrol both sides of the border. So in that sense I would suggest that we're enhancing the protection of our sovereignty because we have more enforcement people along the border.

Mrs. Shelly Glover: I agree with you. I happen to be a police officer on a leave of absence so I know how important security is. I appreciate that you've allayed those myths because, unfortunately, sometimes misinformation gets out there, so I appreciate that.

Hopefully, I will get another chance because I have some questions for our uniformed members later, but I appreciate the time restraints.

Thanks, Mr. Chair.

The Chair: Thank you.

We'll go to Mr. Brison, please.

Hon. Scott Brison: Thank you, Mr. Chair.

I thank each of you for joining us today.

Mr. Kennedy, you've served as senior assistant deputy minister of Public Safety responsible for national security activities. Is that correct?

Mr. Paul Kennedy: That's correct. I did for about six and a half years.

Hon. Scott Brison: And you spent five years as senior chief counsel to CSIS.

Mr. Paul Kennedy: That's right. I was their chief counsel.

Hon. Scott Brison: And you spent four years as chair of the commission for public complaints against the RCMP.

Mr. Paul Kennedy: Yes, I was also, for about four or five years, the senior general counsel of Justice who coordinated all the legal advice between the intelligence agencies.

Hon. Scott Brison: So you speak to us as an informed expert in these areas, and we appreciate your advice. You've indicated that from this \$1 million savings from a \$7 billion Public Safety department budget, we could ultimately end up paying a lot more in the future as accountability is eroded by this. No system is foolproof, and there will always be times when something falls through the cracks.

Do you believe we will see more outstanding claims, more suits against the government, and, ultimately, further erosion of public trust in the service?

Mr. Paul Kennedy: It's the nature of the beast.

I've briefed three ministers who act in the role either of Solicitor General or Minister of Public Safety. The first thing I told them was that they are presiding over the ministry of bad news. You have corrections officers who deal with inmates. You have the border, with people going back and forth smuggling. You have police officers with guns on their hips. You have spies.

They're not bad people. It's just that in the nature of the work. With the challenges they have confront, people are going to make mistakes. That's inevitable. It's even higher with intelligence people, because you don't then have the same comfort level that it's going to go to court and a judge will handle it. It's a more complex environment they're working in, with terrorism, both here and abroad.

On early detection, there will be problems. The issue is, will you detect it earlier?

The last big inquiry we did, the Arar inquiry, was about a \$30-million venture if you throw in the \$10 million the government paid in compensation. Yes, it is very expensive.

Hon. Scott Brison: You played a very important role in overseeing the investigation into the taser issue at the Vancouver airport. At that time, you helped to shine light on mistakes that were made, oversights in the process—and culpabilities, ultimately.

Do you see any relationship between the government's decision in 2009 relative to your role and this decision in terms of a general approach to accountability and a desire to shine light on inconvenient truths, perhaps?

• (1905)

Mr. Paul Kennedy: I don't know. Let's put it in the following context. We've had recommendations for improvements of oversight flowing out of the O'Connor report. We've had them flowing out of Justice Major's report in terms of Air India. I looked at the most recent reports from SIRC, where they were calling for increased powers.

The government put in place Bill C-38—a different Bill C-38—to give additional powers to the public complaints commission vis-à-vis the RCMP for national security matters. It hasn't gone anywhere. Parliament itself was significantly engaged in what used to be Bill C-10 back in 2005. The Liberals introduced it to give Parliament increased oversight.

What we see is all of these people recommending increased oversight. I see nothing happening, except the diminution of oversight. To that extent, it really seems odd.

The Chair: You have 30 seconds.

Hon. Scott Brison: At this table none of us is an expert in national security; we're on the finance committee.

Given the potential gravity of these changes, should this part of the bill be referred to the public safety committee?

Mr. Paul Kennedy: It would be a wise course of action. Then you could ask questions as to what CSIS is doing now, what the appropriate model is, or if we're going to give it to SIRC

I'm not saying to keep this without something else. I'm just saying that you should conceive of what you think is appropriate today.

All I see is a reduction. To call it a consolidation when I don't see files going over, I don't see personnel going over, I don't see money over, and I suspect—and it's only a suspicion—that SIRC is being asked to do the same thing as other government institutions, which is to take a cut.... How one fashions out of that improved efficiency of oversight for the intelligence community is beyond me.

The Chair: Thank you.

We'll go to Mr. Jean, please.

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

I don't have a lot of questions.

Mr. Kennedy, I followed your proposal with interest. I liked the debate in relation to what you brought forward. Certainly I would suggest that you seem to be well versed on the issues. I would also agree with your concept relating to the necessity of democracy and whether or not some things are necessary.

You advised three prime ministers. Did you advise Michael Ignatieff?

Mr. Paul Kennedy: I advised three ministers.

Mr. Brian Jean: Sorry, three ministers.

Mr. Paul Kennedy: Those are the ministers who were responsible for CSIS.

Mr. Brian Jean: While the previous leader of the Liberal Party was visiting, did you advise him?

Mr. Paul Kennedy: Pardon me?

Mr. Brian Jean: Did you ever advise Michael Ignatieff or talk to him in relation to his position on the same issues?

I was just curious. I had an opportunity to review some of his books. Some of the things he spoke about in relation to torture and calling the "dogs of war" as necessary seem very similar to your own proposal in terms of your thoughts as far as democracy goes and whether or not you can have a pure democratic society without the necessity of torture and other things.

Mr. Paul Kennedy: No.

Mr. Brian Jean: That was what I took from what he suggested, and I'm curious if I was—

Mr. Paul Kennedy: No, I don't have any discussions with Michael Ignatieff. My comments to you are based upon my own 20 years of experience in the business and the fact that if you are in it, you realize.... Actually, I'll give you an example. If you simply go back and look at the submission made by CSIS to Justice O'Connor in the Arar inquiry, you will see that they talk about the advantages to them of having credible oversight because they cannot speak for themselves. That is just the reality.

Former RCMP commissioner Zaccardelli, who resisted for years any expansion of any powers of review of their activities by the complaints body, came out in a speech to the International Police Association and said, I see the light. We need it. We cannot speak for ourselves. We're perceived to be self-serving.

I'm saying this as someone who spent years in the business. I'm saying I want that institution to be protected; I want that institution to have credibility. We need it, but it needs credible oversight. When you do this, you're harming the ability of CSIS to have credibility with the public when there's a problem.

In terms of democracy, Mr. Osbaldeston was called in, about 1986, when a mistake happened at CSIS and the first director, Ted Finn, had to resign, although they were calling for the resignation of the minister, Mr. Kelleher, at the time. He said that you have to realize that in a democracy your intelligence service will only be 85% successful. They asked him if it would be as good as BOSS, which was a South African intelligence service, or Mossad, and he

said no, in a democracy it will be 85% effective, because if it's 100% effective you don't have a democracy.

It's important that it be there, but it has to be controlled. It's a sword: it protects us, but it's a dangerous sword. We need them, but we need them in a controlled fashion.

• (1910)

Mr. Brian Jean: Do you know where these recommendations came from in relation to these changes that you speak against? Are you familiar with any public safety studies that recommended this particular action?

Mr. Paul Kennedy: I know, going back a good 20 years at least, that directors have always said that we're the most over-watched body in the world. Those have been traditional complaints.

Mr. Brian Jean: It has been a consistent complaint for years.

Mr. Paul Kennedy: Yes, a consistent complaint and I was there as their counsel. I attach no weight to it, and I don't attach any weight to it now, because if you are in the intelligence business, you should feel uncomfortable because you have tremendous powers.

When police officers do a wiretap, they get an order for 60 days. When we're at the service, we get them for a year and renew them for a year, and they're quite vast.

Mr. Brian Jean: I was a defence attorney and I understand. I understand where you're coming from, but to be consistent and to be blunt, this has been an ongoing issue with this service for a long period of time. It has been a constant complaint relating to their ability to function properly in Canada. That's my understanding.

Mr. Paul Kennedy: I can't see how that would affect them. There are probably about four or five reviewers who would look at files. There are 2,500 to 3,000 employees at CSIS. What has caused them to waste some of their effort is the inquiries that they get themselves caught up with. First of all, the Air India trial, with a million pages of documentation, was a burden on them because they had to redact that. When you get caught up in the Arar inquiry or the Air India inquiry, these things take a lot of effort.

The Vice-Chair (Ms. Peggy Nash (Parkdale—High Park, NDP)): Mr. Caron.

[Translation]

Mr. Guy Caron: Thank you very much.

Mr. Bolton, I have previously asked this question to Mr. Oliver. I think it was when we were here two weeks ago.

Our major concern about what is proposed in the bill in terms of the interoperability of Canadian and American forces in navigable waters is the fact that we are the ones studying it. I think that Mr. Oliver confirmed last time that there was no financial or fiscal impact and that it was already included in the RCMP budget.

If this bill is passed by the majority Conservative government, it will go into law without having been studied by the Standing Committee on Public Safety and National Security, the committee that actually should be analyzing it.

A Canadian contravening any regulation whatsoever, say on the river at Windsor, should understand that the act was passed by a budgetary and fiscal process. What would you say when you arrested him? I am not talking about a serious crime, but about any minor infraction.

[English]

Mr. Stephen Bolton: Thank you for the question.

If a Canadian found himself in that situation, I think that what would be advantageous about this legislation is that, if it were on the Canadian side, if there were a law enforcement operation that picked up someone on the Canadian side, it would be under the direction of Canadian law enforcement. So if U.S. law enforcement were involved, the Canadian citizen would not have to be 100% familiar with or aware of the legislation. In fact, that really wouldn't matter, because the operation would be under the control of Canadian police.

I don't know, Joe, if you want to add to that.

Chief Superintendent Joe Oliver (Director General, Border Integrity, Royal Canadian Mounted Police): With respect to Shiprider operations, the intent is to leverage each other's resources to bring greater crime-fighting capability along the Canada-U.S. border. If we had additional resources, all the better, because then we could apply them to enhance the border. But the reality is that in order to use our existing resources to achieve greater outcomes for Canadians and achieve greater security for Canadians, this legislative tool would allow us to do that, and certainly the fact that we can partner with other policing agencies—Canada, U.S.—will allow us that flexibility to better secure the border within existing resources and at reasonable cost to Canadians.

• (1915)

[Translation]

Mr. Guy Caron: My next question goes to Mr. Bolton and Mr. Zigayer.

Mr. Zigayer, you mentioned that this legislation implements a treaty that Canada has signed with the United States. I assume that this is not the first time that you have been involved in drafting legislation designed to implement the provisions of a treaty.

Mr. Michael Zigayer: No, it is not the first time.

Mr. Guy Caron: Have other legal provisions in the same area that you have drafted and submitted to Parliament generally been studied by the Standing Committee on Public Safety and National Security or by the Standing Committee on Finance?

Mr. Michael Zigayer: I was part of the implementation of various treaties dealing with terrorism. We went to the Standing Committee on Justice and Human Rights. That was with Bill C-36. My colleague Mr. Kennedy was there too.

Mr. Guy Caron: You have never previously dealt with the Standing Committee on Finance?

Mr. Michael Zigayer: This is the first time, and it is a real pleasure.

Mr. Guy Caron: Welcome.

Let me move to something else.

I gathered that, in the budget—I am not necessarily talking about the budget implementation act, but about the budget itself—the government decided to reduce funding to the RCMP's clinics, or rather, forensic laboratories. Am I mistaken?

[English]

C/Supt Joe Oliver: Unfortunately, that's not within my area of responsibility, so I can't speak to those issues.

[Translation]

Mr. Guy Caron: Well, I tried. I can understand that it is difficult for you. I will keep the question for someone else who will be able to answer, I hope.

Do I have any time left?

The Vice-Chair (Ms. Peggy Nash): Your time is up already. Thank you very much.

Mr. Adler, please.

[English]

Mr. Mark Adler: Thank you, Madam Chair.

Mr. Bolton, there have been a number of parties who claim that we're compromising sovereignty by virtue of the integrated border law enforcement. Could you comment on that and reassure them that we won't be compromising any sovereignty?

Mr. Stephen Bolton: Yes. I think it goes back a little bit to the answer that I gave earlier, which is that by using our resources more effectively, by coordinating with our U.S. law enforcement partners more closely, and at the same time ensuring that Canadian law, the charter, and the privacy rights of Canadians are protected.... I think it goes back to two fundamental principles of the legislation, which is that the law enforcement officials would be under the direction of the host country and, secondly, that they would be enforcing the laws of the host country. So when you think about the legislation that way, it doesn't diminish sovereignty. In fact, I think you could argue that it asserts it, because we'll be dealing with cross-border criminality much more effectively.

Joe, do you want to add anything?

C/Supt Joe Oliver: I'll just reinforce a couple of aspects that have already been spoken to by Mr. Zigayer and Mr. Bolton.

I think the framework agreement is very explicit in terms of respect for sovereignty and the conditions under which these operations may unfold. The legislation itself is very clear, and this legislation is before Parliament.

The other aspects that will help strengthen the questions of sovereignty include the training. It is very clear that when operations are in Canada, Canadian officers are the lead and Canadian law applies—Canadian rules, Canadian procedures, and so forth.

The other aspect is that the bill also sets out a framework through which we will be accountable to an oversight body for operations undertaken in Canada. All of those elements together certainly demonstrate that we are respecting Canadian sovereignty. The aspect we are trying to achieve here is operational flexibility for people at work at the coal face, so as to allow us to better pursue criminals who take advantage of the border.

This is not about ceding sovereignty at all. It is really about exercising greater operational flexibility in a very complex environment.

• (1920)

Mr. Stephen Bolton: I'd add one more thing as well.

One thing I don't think we have mentioned concerns the designation of the officials. The host country would also have the choice of which partners from the visiting country would be part of the program. It's not as though the other country were able to say, "We're going to put these people into the program." The host country, through the central authority—which would be the RCMP—would have the ability to select the officials from the other country. The same would apply in the U.S. in terms of Canadian law enforcement. I think that's an important and helpful point as well.

Mr. Mark Adler: And with the shared vision agreement, I think we would probably be sending the wrong message if we didn't do anything, right?

Mr. Stephen Bolton: Yes.

Mr. Mark Adler: Mr. Brannagan, could you talk a bit about the first responders and the coordination you have between first responders and those on the U.S. side, if—God forbid—there is an incident at the border. Is there a formal agreement right now between the two sides?

Mr. Jerome Brannagan: At Windsor and Detroit...?

Mr. Mark Adler: Windsor and Detroit and...yes.

Mr. Jerome Brannagan: There is no formal agreement. We are daily integrating our police officers with Americans, all the time. We deal with anything that happens at the bridge, anything that happens on the water, anything that happens on the land. As I mentioned earlier, we are the primary policing agency in Windsor and that area, so my people are the ones who respond to anything. If the bridge were to close for some type of job action or something like that, vehicles that are on the NAFTA highway stop in Windsor. We have to deal with that traffic situation and things of that nature.

We are part of a communications interoperability project right now hosted by Homeland Security in the United States for southeastern Michigan and regions encompassing border areas. My police service has a member who assists the Americans in writing grants for that radio interoperability opportunity. Money has been flowing into southeastern Michigan, and those radio systems will be coming right to Windsor and the border—my understanding is, right from Sault Ste. Marie to Lake Erie and Ohio.

The Vice-Chair (Ms. Peggy Nash): Thanks very much, Mr. Brannagan. We're out of time.

Mr. Randall Garrison.

Mr. Randall Garrison (Esquimalt—Juan de Fuca, NDP): It's also my first time at the finance committee. I sit on the public safety committee, where I would like to have seen all of you, but that's not the way things are working this time.

I want to start with a brief question about joint enforcement operations under the Shiprider program. I have two questions. Before becoming a member of Parliament, I did some international work and reviews of police accountability. My question is, are there

not significant differences in such things as use-of-force protocols between the Canada and U.S. forces? How are these going to be resolved operationally when you say that one is under the command of the other?

If that operation were in Canada, they might not be familiar with the use-of-force protocols here. How would something like that be handled?

C/Supt Joe Oliver: That speaks specifically to the use of force. When we first piloted Shiprider, we actually provided a full suite of use-of-force training from the U.S. side and on the Canadian side, and the feedback we received from participants is that they were so much alike it was a waste of our time—what we need to understand is the delta between use of force in Canada and use of force in the U.S.

As a consequence, a course training standard has been developed. It has been tested over a number of pilot projects. It's actually seeking federal accreditation in the U.S. through the FLETC, the Federal Law Enforcement Training Center. The course is eight days long and is delivered at the Maritime Law Enforcement Academy in Charleston, South Carolina. It is a partnership of the RCMP, U.S. Immigration and Customs Enforcement, and the U.S. Coast Guard that delivers this training.

In the training, several hours are spent on use of force in order to teach officers what use-of-force requirements would be in Canada, and what is the use of force. In addition to this training—in addition to the theory and the law—they also practise this through a number of scenarios. A good portion of the training is actually getting out with actors, practising these use-of-force models, and getting critiqued on them.

So there is extensive training in the days leading up to a deployment. In fact, it's a requirement of officers, and it's a requirement in the legislation as well as in the framework agreement, that the officers receive special training before they can receive cross-designation.

• (1925)

Mr. Randall Garrison: It's interesting, because the RCMP public complaints commission report on the G-20 summit identified significant differences between the RCMP and the Toronto city police on things like kettling. One would think the cooperation there would be much closer than between Canada and the United States.

So if, let's say, an American officer, in an incident that requires split-second decision-making, reverts to the U.S. use-of-force protocol, what authority would any Canadian accountability mechanism have over them?

C/Supt Joe Oliver: Well, the framework agreement sets out the accountability requirements. For criminal misconduct in Canada, Canada would retain jurisdiction and investigate it like any other serious incident. For civil liability, Canada and the U.S. have to sit down and decide how that would be managed.

With respect to discipline of the U.S. officers, that would be managed by the contributing agency, so if a U.S. Coast Guard officer is found to have committed a discipline violation, they would be dealt with by the U.S. Coast Guard.

Then there is the public complaints commission that has oversight of this. In addition, the Commissioner of the RCMP has the authority to suspend and revoke the cross-designation of anybody as he sees fit.

Mr. Randall Garrison: I have a very short time, so I'm going to turn very quickly to Mr. Kennedy, who I've met before in other capacities.

There were some comments you made earlier about the assignment of responsibilities from the Inspector General to SIRC. Could you just go over that again? What would be needed or what do you see is missing to make that an effective transfer, if that's the right thing to do?

The Chair: Just a brief response, please.

Mr. Paul Kennedy: Yes, if you were going to have it being credible, I would have to assume that you'd want to give all the powers that the IG currently has, which include the power to monitor and which I don't see there. Since what they're doing in monitoring is actually going down and looking at operational files, I would assume you'd want to make sure that SIRC had the staff capacity to do that very activity as well. Also, to ensure there's no loss of continuity from the work that has been undertaken in the past 28 years, I would assume you'd want to provide that the files be transferred over to SIRC as well.

So they'd have the knowledge base, and hopefully they'd have some money so they could do it, and then they'd have the skill sets to do it. If you don't do that, you're not consolidating. You're eliminating.

The Chair: Thank you.

Thank you, Mr. Garrison.

Mr. Van Kesteren, please.

Mr. Dave Van Kesteren: Thank you, Chair.

Thanks to all of you for appearing tonight. I want to thank all of you for your public service as well. Each one of you renders a very important part of service to our community and to our country.

Mr. Brannagan, I'm from your neck of the woods, too, in Chatham, Ontario, and I appreciate what you're doing. It's very interesting.

I have two sons who are in the Chatham-Kent Police Service. I'm curious. I've never talked to them about this, but is this something that Chief Poole is involved with as well, or does it stop strictly at the Windsor border?

Mr. Jerome Brannagan: To the best of my knowledge, Chief Poole has never engaged in conversations like this. I know Chief Poole very well. We do talk frequently. He and I have never had this conversation.

Mr. Dave Van Kesteren: Okay.

I have another son that's an OPP officer. What about the OPP? Are you involved with the OPP?

Mr. Jerome Brannagan: The OPP are very well versed with the Shiprider program. They're very well versed with maritime issues in and around the Windsor area. They do put boats in the water in and

around the Windsor and Chatham areas, Lake Erie, Lake Saint Clair, and all the way up through most of the lakes, Lake Huron as well.

• (1930)

Mr. Dave Van Kesteren: Inevitably, there's going to be a time when someone is going to get off a boat and hightail it inland. At that point would you engage the Chatham-Kent Police Service or the OPP? Would they know about this program? Would they be familiar with it?

Mr. Jerome Brannagan: I'm sure that they would be familiar with it.

Whether or not they were engaged in it would depend on whether or not the RCMP was floating in those areas, or if they designated other police agencies to participate in the Shiprider program.

Mr. Dave Van Kesteren: Let's shift gears.

Ms. Londerville, I'm curious what your thoughts are. Give me a state of the union address, if you would, on the Canadian housing authority. We just witnessed a total meltdown in the United States with Freddie Mac and Fannie Mae. How are we looking? Are we solid yet? Are we liquid?

Prof. Jane Londerville: We're in very good shape. We never did the silly kinds of lending they did in the United States. Our mortgage arrears rate went up from 0.4 of 1% to 0.5 of 1%, and it's back down to 0.4. It's not an issue here.

There are some housing markets that maybe are a little hot, but overall, the housing finance system is in very good shape.

Mr. Dave Van Kesteren: It can't just be a hot market. We know that both those institutions made some serious mistakes, but what safeguards do we have in CMHC that would...

Prof. Jane Londerville: The way we have it set up is that the government implicitly is backing CMHC. They're backing the private insurers. In order to get that backing, they have to follow the rules that the Minister of Finance sets. Maybe we were looser on our lending criteria in 2007 than we are now, and they've tightened them up from the length of the amortization period to how much you can borrow, all those kinds of things.

The Minister of Finance can set those criteria, and because they don't get their backing if they don't meet those criteria, the insurers go along with it.

It's really quite a nicely designed system.

Mr. Dave Van Kesteren: You were critical about the fact that there is 100% backing for the government institution, whereas for privates it is 90%, I think. Is that still the case? Has the government listened to some of those concerns?

Prof. Jane Londerville: There's nothing in the bill that addresses that.

CMHC is 100% backed just because it's a crown corporation. I think somehow we need to get to a point where everybody has the same backing. It could be 50%. They could spin off the mortgage insurance business out of CMHC and have everybody have a 50% guarantee. I don't care what it is, as long as it's the same for everybody.

Mr. Dave Van Kesteren: What percentage of the market is shared by the public sector?

Prof. Jane Londerville: CMHC has about 70% of the mortgage insurance market.

Mr. Dave Van Kesteren: Is its percentage going down?

Prof. Jane Londerville: No.

Mr. Dave Van Kesteren: It's not.

Okay, good. Thank you.

The Chair: Thank you, Mr. Van Kesteren.

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

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

Mr. Kennedy, I'm really curious because I think Ms. Glover mentioned that when the officials were here and we asked them questions—and I think Ms. Nash has said it—they were basically telling us there was duplication and they just wanted to make it easier and save a bit of money.

You wrote a piece on May 11. I would say it is quite alarming in the sense that you are saying we are cutting the eyes and ears of the minister.

Maybe that's why it has been put in this bill and that we at the finance committee are looking at it, so that we understand what's happening.

I know you've been there. You've worked for 20 years, if I'm not mistaken, in public security. Can you tell us, should we be worried that we're cutting the Inspector General's position and the role of the Inspector General?

Mr. Paul Kennedy: What you should be concerned about is if your primary objective is to get rid of fat within the system to address the deficit problem and things like that, you look at fat, but you're stuck now with a policy issue that you're not equipped by your expertise, obviously, to look at. Your expertise is in finance, your expertise isn't over here. So you assume that yes, there's a million dollars, you save a million dollars, so we're ahead of the game.

What you're not being told is why those structures were put in place in the first place. You had about a two-year long royal commission of inquiry headed by a superior court judge where you had criminal charges laid against people. You had a unique combined House of Commons and Senate committee sitting to craft this piece of legislation. We're one of the first in the world to create legislation to set out a mandate for an intelligence service, so we were unique in that way. We addressed the problem. We said there was a problem and we were going to take care of it. And there were abuses.

So now you have a regime that you have no background on, no knowledge on. There's a series of calls by various commissions and even some oversight bodies to strengthen the regime. You do nothing to strengthen the regime, and yet here you are pulling away a piece without realizing what you're doing.

Now, it's eyes and ears, because as I said—and I'm not exaggerating—the minister is personally accountable for those intelligence officers. That was the way the model was, because the public can't be involved in it. So the public's assurances are that we have a responsible minister and he's on the hook for this, and he's informed and can do the job and deliver it for us.

With the RCMP, they're independent in terms of who they investigate and when. If they get in trouble, it's all in the public. It plays out in public. This is a covert intelligence agency, so these vehicles are put in there to allow the minister to control it so that he can give the public those assurances. One of the tools that's there is being removed.

You have to remember... Fine, I've dealt with CSIS for a long time and I have many friends there and I admire them, but I'll say the same thing I said to my colleagues at the RCMP, which I dealt with for 36 years, who wanted to be involved in what oversight powers they had. I said the horse doesn't get to select the saddle. The Mounties don't decide who has oversight on them and to what extent. For anyone to sit here and possibly think that because CSIS doesn't like this, CSIS should be accommodated and it should be removed is sheer insanity. It really is. CSIS doesn't get to make that call.

Your job is to give the public the assurances and make sure the tools are there to give it. If you come up with a better model, fine, but do it in a comprehensive fashion. Don't do it as a money-saving effort, because CSIS wants it and it looks easy. That would be, with the greatest respect, the height of irresponsibility. It really would be.

• (1935)

Mr. Hoang Mai: You say here that the minister is responsible for a portfolio that employs some 40,000 individuals, of which CSIS is one portion. How can the minister possibly fulfill his responsibilities to the public and ensure that CSIS hasn't stepped over the line? You answer that the reality is he cannot.

Mr. Paul Kennedy: He personally cannot. That's why he needs tools there. He needs someone whose job it is and who's accountable to the minister. As a minister, when I give a ministerial direction or I approve a policy, someone has to make sure those guys adhere to that, and if they don't, I want to know because my neck is on the line because I'm giving assurances to Parliament, I'm giving assurances to the public.

Parliament has no access to that information. Parliament has to take the assurance of the minister. If the minister is not in a position to give the assurances, Parliament is weakened. You can't do your job, and this is the same Parliament that had been asking for years to have a parliamentary committee to do oversight of CSIS, which would be very difficult to do because of its highly classified operational information.

So we have this interim step. That's why it's there.

The Chair: You're over time.

Mr. Hoang Mai: Very quickly, could you—

The Chair: Mr. Mai, actually, you're over time, but there may be time for another round, so we'll come back to you.

Ms. Glover, please.

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

I want to say, Mr. Garrison, you're welcome to come to finance committee. It's nice to see other members attend. However, it's ridiculous to think that with all the experience here in this room the public safety committee somehow would have some alternate questions. And to compare kettling, which is a crowd control technique—I have 19 years in the police service and I intend to go back—that can be chosen to be used by whatever police service chooses to use it.... But the use-of-force continuum is not something that you can defer from. It is something that is actually judicially measured. If you do not follow it...and it must be followed consistently. So to compare apples to oranges and then pretend you know what you're talking about is, frankly, disrespectful to the members of the finance committee.

Nevertheless, I'm going to continue with our officers in uniform. I'm very pleased with the pilot project that was held, and I'd really like for you to express to us the successes with the pilot project so that we can envision how we might see this play out.

C/Supt Joe Oliver: With respect to the 2007 pilot projects that were the longer term pilots, two of them were run concurrently, one on the west coast and one on the St. Lawrence Seaway in the area of Cornwall.

The Shiprider teams were involved in a number of interdictions and arrests. They were involved in six direct arrests, and they contributed to 40-some other arrests. They were involved in the seizure of contraband cigarettes and marijuana, the confiscation of proceeds of crime—vessels that were used for cross-border smuggling and modified for those purposes—as well as conveyances on land. They contributed.

In addition, they coordinated with land resources, as had been alluded to by Deputy Chief Brannagan. When these operations are deployed there's often contact with the land resources. In one case, in Cornwall, there was a complaint of a child abduction that was in the border zone and a vessel had been used. The Shiprider team had the operational flexibility to cross back and forth checking marinas along the Canada-U.S. border, on both sides of the border, which then helped them quickly identify where the vessel had landed and helped identify the vehicle, which ultimately led to the safe return of a child. They were seen as contributing to that investigation as well.

These highlight some of the successes that we've seen with the deployment of Shiprider along our shared waterways with our American counterparts.

• (1940)

Mrs. Shelly Glover: This is fantastic and a good job, and kudos to those who were involved.

I do have a bit of time. I want to clear up some other misinformation while I'm at it, simply because I actually am married to a police officer who is retired. He spent much of his life doing intelligence work and spent the last five years of his life in surveillance, following some of our biker gangs.

In any event, I'm very familiar with CSIS. I'm very familiar with SIRC. What I do want to share with those who are watching is this. As police officers, we never assume things. We never assume anything unless we take the time to hear both sides of it, which is

why I'm so disappointed in Mr. Kennedy's testimony when he says he hasn't heard the officials.

Let me tell him and all Canadians watching what the officials had to say about what's going on. The minister himself supports this legislation. The minister is very cognizant of the fact that quite often there are criticisms and so the review is now going to be consolidated within SIRC because it's at arm's length from the government. That is what is so important here, it's at arm's length, which means more transparency, more independence. There's duplication because both CSIS and SIRC were doing self-initiated reviews of CSIS activities. It's important that people know that one side of the story is not being told here, and this is a measure that will take some money that's being saved and allocate it, which is what was told by the officials. So the assumption that there will be no transfer is wrong as well.

I know, and I'm sure, Mr. Oliver, you know that when the chief of police puts his trust in the folks who are working around him and there are mistakes made—and Mr. Kennedy said clearly mistakes are inevitable, especially with intelligence people—the chief is not forced to resign. We all do the best we can because the interest of the public safety is what's important.

Would you confirm this for me, Mr. Oliver and Mr. Brannagan? Mistakes are made within the policing community, within public security. Would you fire the chief or the commissioner if a mistake was made down the line, knowing everyone is making their utmost attempts at doing the right thing?

C/Supt Joe Oliver: I'd be speaking hypothetically, and I think everything is fact-based. So to suggest there may be circumstances when the head of the organization failed to exercise leadership to control misconduct may result in some sort of discipline or firing—

Mrs. Shelly Glover: We have to go case by case. Wouldn't that be right? Wouldn't you have to go case by case and look at the facts of the story, look at both sides of the story, before you demand someone's resignation?

Mr. Jerome Brannagan: We believe mistakes are a foundation for growth, and in policing when you have persons—I call it calls under your belt. You need to acquire calls under your belt as a police officer to make better decisions as time goes on. You can only train so much and you can only experience training so much. You must deploy and you must make those decisions.

When the decisions get to a stage where there could be a criminal result or misconduct, we do have circumstances where that does happen.

The Chair: Thank you. Unfortunately, we are out of time on that round.

We'll go to Mr. Hoback, please.

Mr. Randy Hoback: Thank you, Chair.

Chair, I must say I feel like I'm the last guy at a prayer breakfast or a prayer meeting and there are no good prayers left to say. Having said that, there are a couple of questions maybe I'll look at.

Mr. Oliver, I'm looking at the pilot project that was being done along the border. Are you extending that project now into Saskatchewan, Alberta—the Prairies? Have you done similar projects outside of that region?

• (1945)

C/Supt Joe Oliver: I think there is a misunderstanding with respect to the current status of the pilot projects. There are no pilot projects under way today. The pilot projects were of a very short duration to test a concept. In order to continue with the type of work that was under way and following the framework agreement, there is a requirement for legislation in order for us to operationalize this on a more routine basis. In the absence of legislation, we're not in a position to continue conducting Shiprider operations. So if we fail to get this legislative tool, we will have missed an opportunity.

Mr. Randy Hoback: That would explain, then, why it's part of the budget. If we look at the implications cost-wise or in the cost to trade, for example, of not having programs like this in place, we'd have to control things in a lot more severe manner on our side—would it not be fair to say?—since without that, trade and the flow of goods would be restricted?

C/Supt Joe Oliver: I think this tool will provide us greater operational flexibility in the border environment and help us better leverage each other's resources while respecting each country's sovereignty.

Mr. Randy Hoback: Okay. Thank you.

Ms. Londerville, would you not agree that the changes you see now in the budget are going to provide even better oversight of CMHC and the activities CMHC is involved with?

Prof. Jane Londerville: Yes.

Mr. Randy Hoback: Chair, I'm going to leave it at that.

Mrs. Shelly Glover: I'll take the rest of the time.

The Chair: Okay. There are three minutes left.

Mrs. Shelly Glover: In the three minutes I have left, I do want to take a moment to thank all of you for your service. That includes everyone on the panel, including Ms. Londerville, Mr. Kennedy, and so on.

I want to make a comment, though, that the budget implementation act includes these measures because we believe sincerely that they are the right measures to protect the interests of Canadians, and that they're the right measures to protect the interests of our law-enforcement community and the people who would be working in SIRC.

Having said that, I know, Mr. Zigayer, you haven't had much opportunity to speak, but I would like to offer you the opportunity to close here today and tell us why it's important that these measures be put in this budget implementation act—the first one, rather than in the fall session—and how this will actually improve and enhance security for Canadians.

Mr. Michael Zigayer: Well, it's always up to the government when to introduce a bill and how to introduce it. In fact this is the third time this particular legislation has come before Parliament. It was before Parliament once in the House of Commons. It was introduced in the House, and it died very shortly after being

introduced. Then it was introduced in the Senate and died again when the last election was called.

So we all have our fingers crossed on this one, because frankly I think we all believe it to be a very good initiative. I'll just hit a few points. We don't have any Shiprider operations at present. We've had a number of Shiprider pilots—in 2005 and 2007—and you've heard those described. But we have also deployed Shiprider operations—we called them marine security operations—in support of a number of events that have had important cross-border maritime components: the Olympics in Vancouver, the G-20 in Toronto last year, and also the Super Bowl that was in Detroit back in January of 2006.

The people who have been involved in it have had numerous opportunities to perfect it and to improve the training, and they're becoming quite adept at the training. The RCMP has a fairly large number of people already trained. The United States Coast Guard has to retrain a number of its people, because they get redeployed after a number of years. So the training is ongoing.

The other point I want to make is that—

The Chair: Please make it very brief, sir.

Mrs. Shelly Glover: In the U.S., has enabling legislation already gone through?

Mr. Michael Zigayer: The U.S. did not enact any legislation. They're using something called title 19, which is about customs. That's how the officers in Windsor get the authority to carry a firearm into the U.S.

But the one point I want to make is that we engaged with Public Safety in consultations back in 2008. One of the most important things to come out of that was the fact that those consulted—the Attorneys General, the lawyers, and others—all wanted the Americans to be subject to our law—not only to enforce our law but to be subject to it as well.

• (1950)

The Chair: Thank you.

We'll go to Mr. Garrison again please.

Mr. Randall Garrison: Thank you very much, Mr. Chair.

It's a little hard to resist some of the darts that were flung in this direction earlier. But I think it illustrates that if these matters were before the public safety committee, members have a chance to get to know each other a bit better and to know their background and expertise. I can assure Ms. Glover that I do have some background in use-of-force protocols as a UN observer—

Mrs. Shelly Glover: And the use of force.

Mr. Randall Garrison: —and as an Amnesty International observer working with the police academy in Afghanistan.

I think once again it illustrates that if these matters were before the proper committee, we wouldn't have these little exchanges where people don't know each other well and don't really know the background.

I want to return to Mr. Kennedy and ask him a little bit about the existing SIRC committee. My understanding of the committee is that it is composed of part-time members with no particular expertise, with very limited staff support. What we're talking about, as you mentioned earlier, is transferring some very large responsibilities. Could you say something about that kind of difference of role and the different kinds of people who are on the SIRC committee as opposed to an Inspector General?

Mr. Paul Kennedy: I think that is part of the problem. I'm sure they're all very competent people. I say that vis-à-vis my successor, who just didn't happen to have any background in criminal law but had a background in estate planning. Don't come to me for estate planning, but come to me for criminal law and go to him for estate planning.

I notice there are at least two people who are still left who are MDs. I really couldn't see the relationship. They're distinguished people but I would have thought that maybe SIRC itself would benefit from someone who had a background in something akin to national security in one form or another.

If you want to have credible oversight, the analogy I used before is with a race car and I think it's appropriate. If you want to win a race, what do you need? You need three things. You need a car that has a powerful engine. That's a legislative mandate. You have to have fuel. That's money. You have to have a highly skilled driver. You put those things together, you win the race. If you want to have credible oversight, you have to have those three things.

There have been some very distinguished people who have certainly sat on SIRC who I have great respect for, but at times it looks like it's an afterthought. It shouldn't be an afterthought that you don't have a permanent chair of SIRC right now. I don't know what kind of a message that sends to the public. You're eliminating the IG's office because the IG hasn't been replaced. You're eliminating that office and you don't have a chair for SIRC. The reality is you have four people who I believe have full-time jobs who come in part time to do this. What does that send as a signal to the Canadian population about our domestic intelligence agency? It's a very poor signal.

The Chair: Thank you. Two minutes.

Mr. Randall Garrison: One of the other things that you touched upon I think is the importance of oversight for having credibility for not just the minister but the institution, and I would also add getting public cooperation with an agency like CSIS. If you don't have public confidence in the oversight, is this likely to affect the amount of cooperation that the public gives to the agency?

Mr. Paul Kennedy: One of the challenges we dealt with, and the service would be dealing with today, is that the vast bulk of people who come to this country as new Canadians come from parts of the world where the intelligence services are very unpleasant folk, and it's hard to get out of their mind that mindset when they come over here and deal with us. Our intelligence service is different. They don't assume that, so you do need their cooperation in terms of dealing with homegrown threats and things of that nature.

If you want to find out, look at the submission, as I pointed out, that CSIS itself made to the Arar commission inquiry in part two where it talked about in the early days—and I was there—there were

very rough relationships between them and SIRC. Those improved over time because they realized the value of having an independent third party who could speak to the public with some credibility. But that means you'd better staff that vehicle in such a way that it is credible. Mandate, fuel, money, and personnel who have the right competencies, not long CVs, not sitting there drooling because their best days are behind them. Someone with a bit of vigour who knows what this is about and knows how to articulate that. That is the best way of enhancing the credibility of CSIS in Canada with the Canada that we have today.

● (1955)

Mr. Randall Garrison: Would you say that would make CSIS a more effective force?

Mr. Paul Kennedy: Yes.

The Chair: Thank you.

Colleagues, on the agenda it says until 8:30. We will have bells sometime after 8 and then at that time we will adjourn. But at this point, we'll keep going. I just wanted to let you know I will continue until that time.

I wanted to ask Ms. Londerville a few questions. I appreciate your support for the measures in the bill with respect to more transparency and accountability and moving the enhanced role for OSFI in terms of housing and CMHC. You stated in your presentation you'd like to see a full analysis of the differences, though, in coverage between the private and public insurers before we argue one deserves a different backing than the other. Who would you recommend should do that analysis?

Prof. Jane Londerville: It's not very complicated. You really simply spread out all the loans on a map and see if there's a difference in the coverage. It could be anybody. It could be an academic, or it could be.... I mean, the private insurers' data is basically public, so you get the data from the two, you merge them, and you see if there are differences.

The Chair: I wanted you to expand on that because CMHC does make the point that they're a bit of a hybrid in terms of an agency, in terms of their social housing role. So can you respond fully in terms of their argument that they are different in kind from a company like Genworth?

Prof. Jane Londerville: They are, but they're not. Should they be using their mortgage insurance revenues to fund those other activities? They don't really. They get an appropriation from the government for social housing programs, and that sort of thing, so I don't see the fact that they do housing policy and affordable housing and work in that area.... To me, that's totally separate from the fact that they do mortgage insurance, which is a profit-making venture for them, and I don't think one should subsidize the other.

I think we should be explicitly saying that this is what we want to do in terms of housing policy. Let's fund it out of government revenues. Mortgage insurance is a separate issue.

The Chair: Okay.

Can I ask if there are any...? As you know, the government has taken a number of steps in terms of trying to ensure that there's no housing bubble here in Canada. You've referenced the fact that we have not had a housing crisis here like they've had in the U.S.

From a policy point of view, is there anything further we should be looking at?

Prof. Jane Londerville: We've tightened up the lending requirements quite a lot. If you're buying a property to rent to other people, for example, you can only get an 80% loan on that. You used to be able to borrow 95%, so I don't think we need to go.... We don't want to tighten them so far that we cause a downturn in the housing market. That would be disastrous.

The Chair: My final question here is on the proposed changes to the covered bonds. Can you talk in terms of how it's affecting or will affect, in your view, the financing costs of mortgage rates? Will there be any impact?

Prof. Jane Londerville: Covered bonds are a way for banks and financial institutions to bring in more funds. By having the legislation there, they can package their mortgages. Basically, they're keeping those mortgages. It's not like they're selling them into mortgage-backed securities. They're issuing a bond that's backed by those mortgages, and bringing in funds.

The fact that they can't put insured loans in there might mean they have to pay a little more interest on them, but it will bring in additional funds that they can then use for lending, including lending for mortgages. I think overall it's a positive thing. As I say, some people can't invest in those unless there is government legislation.

The Chair: I appreciate that.

I was going to give the rest of this round to Mr. Jean. Do you have a short question, please?

Mr. Brian Jean: Yes, thank you, Mr. Chair.

Mr. Kennedy, you mentioned that somebody would talk to you about criminal law, and I was wondering how many years you practised criminal law?

Mr. Paul Kennedy: I was a lawyer with the Department of Justice for 25 years. I started off as a criminal prosecutor in Toronto for about eight years. I picked it up again as the senior general counsel for the Federal Prosecution Service. I was responsible for the criminal prosecutions in Canada in terms of drugs, proceeds of crime, money laundering, those things.

Mr. Brian Jean: Actually, it says that in your bio, which is on the website in front of me; thanks very much, Mr. Brison.

• (2000)

Mr. Paul Kennedy: Of course, I have four-plus years on the.... As chairman of the commission, one has to refresh one's knowledge of criminal law.

Mr. Brian Jean: Absolutely, and you were reappointed once by this government.

Mr. Paul Kennedy: Twice.

Mr. Brian Jean: Twice by this government, that's right.

In your time as a prosecutor, did you ever lose any cases?

Mr. Paul Kennedy: Some, but usually I could convict you.

Voices: Oh, oh!

Mr. Brian Jean: That begs the question, what do you know about me?

Mr. Paul Kennedy: This is equivalent to the French “un”, as in “one”.

Mr. Brian Jean: Yes, thank you very much. I appreciate that. I've never been convicted, nor charged. I only wanted to say that for the record. As I said, I was a criminal lawyer, but not a criminal and a lawyer at the same time.

That was my point. The one thing I do know—and I have a short period of time—is that in every room that has two lawyers, there will be three opinions. One will be on one side, one will be on the other, and one will be somewhere in between.

Thank you.

The Chair: That was what they said about economists—they've predicted 12 of the last five recessions.

Thank you.

Mr. Brison, you'll probably have a couple of minutes. Once the bells ring, I will adjourn.

Hon. Scott Brison: Thank you very much.

I have a question on mortgage policies. When were 40-year, no-down-payment mortgages first introduced in Canada?

Prof. Jane Londerville: In the early 2000s and they weren't around for very long.

Hon. Scott Brison: Around 2007—

Prof. Jane Londerville: In 2004, 2005, something like that, and they were only there for like two years, maybe.

Hon. Scott Brison: It was actually 2006.

Prof. Jane Londerville: Okay. So there you go.

Hon. Scott Brison: Yes. It was 2006. There was a big take-up on them at the time.

Prof. Jane Londerville: There was, yes.

Hon. Scott Brison: I think around 40% of first-time mortgages fell into that category.

Prof. Jane Londerville: I don't know that percentage, but I wouldn't be surprised. I saw some stats from Genworth where they had done quite a.... A third of theirs were 40 years in the year that I was looking at.

Hon. Scott Brison: So, they are introduced in 2006 and the decision to reduce the amortization period came about after the global financial crisis, is that correct?

Prof. Jane Londerville: Yes. I think 2008 was the drop to 35 years, and 2010 to 30 years. Something like that.

Hon. Scott Brison: *The Economist* magazine has pointed to evidence that in some markets in Canada we may have a housing bubble. Governor Carney has spoken not of a housing bubble but a personal debt bubble. Do you see the personal debt bubble as being closely related to debt on housing, and particularly, lines of credit based on home equity lines of credit?

Prof. Jane Londerville: Well, the split between personal debt and mortgage debt is about the same. The whole pie has grown, but the split's still about the same as it was. It's not that people are borrowing just to buy houses now or just on their credit cards.

Hon. Scott Brison: No, but the value of existing homes has gone up in some markets. We've been told by several witnesses that a lot of the personal debt has led to Canadians having the largest level of personal debt in Canadian history. It's a \$1.50 of debt per dollar of annual earnings, which is higher than the Americans at this stage. There's a relationship with housing prices and valuations from that.

Prof. Jane Londerville: One of the restrictions, recently, was that if you are refinancing your house now, you used to be able to borrow

95%. You could take out all the equity you'd built up in that house. Now it's 85%—

Hon. Scott Brison: For a brief period of time, you could borrow 100% from 2006 to 2008.

Prof. Jane Londerville: I suppose, yes.

Hon. Scott Brison: With that level of personal debt bubble and with its relationship with housing prices, I'm wondering whether you can be comfortable in saying there's no housing bubble in Canada. Do you see, in some markets in Canada, a housing bubble in some of the larger—

● (2005)

The Chair: Mr. Brison, unfortunately the bells are ringing.

I will just remind members that we are sitting tomorrow night from 6 to 9 p.m. Please watch for all the agendas and notices.

I want to thank our witnesses for being with us here tonight. We appreciate your time very much in responding to our questions.

The meeting is adjourned.

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