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## Standing Committee on Transport

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**Chair**

**The Honourable Roger Gallaway**

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## Standing Committee on Transport

Thursday, October 28, 2004

• (1530)

[English]

**The Chair (Hon. Roger Gallaway (Sarnia—Lambton, Lib.):** Order, please.

It's now 3:30 and we have a quorum. We'll begin.

Today we have some witnesses in consideration of Bill C-4, which we've received in this committee pursuant to the order of reference from the House of Tuesday, October 19.

But before we proceed to the witnesses, we had on notice, as of last Tuesday, a motion from Mr. Gouk. I'll ask Mr. Gouk if he'd like to move his motion now and speak to it.

**Mr. Jim Gouk (British Columbia Southern Interior, CPC):** I don't have a copy of it here.

**The Chair:** I can provide one. We can look after that.

**Mr. Jim Gouk:** Everybody has received a copy of the motion, so rather than read it out I'll just make a few comments.

This has been, as I understand from the parliamentary secretary, the procedure in the past. I just want to ensure that we will use that procedure this time as well. I ask that the committee adopt that procedure.

**Hon. Jim Karygiannis (Scarborough—Agincourt, Lib.):** Is it the same wording as in the past?

**The Chair:** Yes, it is.

**Hon. Jim Karygiannis:** Let's move on.

**The Chair:** It's an identical motion to what was considered on February 24 this year in this committee.

(Motion agreed to—[See *Minutes of Proceedings*])

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

We'll move now to consideration of Bill C-4, An Act to implement the Convention on International Interests in Mobile Equipment...but I'll shorten it.

We have a number of witnesses today. We have Mr. James Wu, the senior project leader at the Department of Finance on competition issues. Welcome. We have Nada Vransy from the Department of Transport. She's the director of national air services. From the Department of Justice, Gilles Lauzon is in the international aviation law secretariat. Thank you for coming. Also from the international private law section of Justice is Natalie Giassa. Finally, from the Department of Industry is Madam Blanchard, who is the senior legal policy analyst in the corporate and insolvency law policy sector.

I notice that you have a big insolvency book with you today.

**Ms. Mireille-France Blanchard (Senior Legal Policy Analyst, Corporate and Insolvency Law Policy, Department of Industry):** Yes, just in case.

**The Chair:** Oh, good.

You will know that in this committee we ask that your opening statement be limited to 10 minutes.

Which one of you is going to speak?

**Ms. Nada Vransy (Director, National Air Services Policy, Department of Transport):** I'm going to begin, but everybody will give a piece of the presentation.

**The Chair:** Good.

**Ms. Nada Vransy:** We would sincerely appreciate it if all questions could be held until the end.

**The Chair:** They will be.

Please go ahead.

**Ms. Nada Vransy:** Okay.

We're pleased to have this opportunity today to discuss Bill C-4, otherwise known as the International Interests in Mobile Equipment (aircraft equipment) Act. This bill will permit the implementation of the provisions of the Convention on International Interests in Mobile Equipment and its associated aircraft protocol. It incorporates most of the provisions of the convention and protocol by reference, and other provisions through amendments to existing legislation.

The adoption of this legislation and the eventual ratification of the convention and protocol will help Canadian airline and aerospace industries compete more effectively in the global economy by providing greater security for creditors.

The proposed amendments to federal legislation will reduce the financial risk to creditors, allowing them to make greater levels of financing available for aircraft purchasing at more competitive rates. This will translate into lower costs for airlines purchasing or leasing aircraft, which in turn will enhance their competitiveness, and strengthen the airline and aerospace sectors. The expected result is a direct positive impact on earnings, investment, and overall profitability for the Canadian aviation sector.

[Translation]

**Mr. Gilles Lauzon (General Counsel, International Aviation Law Secretariat, Department of Justice):** Let us discuss the context of the act.

The Convention and Protocol will establish an internationally harmonized framework for the financing of aircraft equipment. Within this framework, the value of the aircraft would be used as security for payment as in the case of a mortgage or a financing lease.

Canada played a leadership role in the negotiation of the Convention and Protocol because various groups including provinces, territories, airlines (Air Canada), industry associations (Air Transport Association of Canada) and aircraft manufacturers (Bombardier, Pratt and Whitney Canada) supported the objectives of the Convention and Protocol.

The Convention and Protocol were negotiated over the period 1996-2001 with the support and participation of those various groups. The negotiation process came to fruition in 2001, with the adoption of the Convention and Protocol at a diplomatic conference in Cape Town, South Africa.

On March 31, 2004, Canada became the 28th state to sign the Convention and Protocol. Other countries with significant airline and aerospace interests, including France, Germany, the United Kingdom and the United States have also signed the Convention and Protocol. Along with the adoption of the two documents, Bill C-4 provides for targeted amendments to various insolvency legislation, and to the Bank Act.

• (1535)

[English]

**Ms. Mireille-France Blanchard:** There are currently various periods within which creditors are subject to stays under the Bankruptcy and Insolvency Act, the Companies Creditors' Arrangement Act, and the Winding-up and Restructuring Act. There are no existing rules that apply specifically to aircraft or aircraft equipment.

Bill C-4 and the convention and protocol it seeks to bring into force provide for a special remedy for creditors in the case of insolvency. It will impose a maximum stay period of 60 days on creditors with security on aircraft or aircraft equipment. The adoption of the 60-day stay period will allow creditors to reclaim aircraft or aircraft equipment after 60 days if the debtor does not cure all defaults under the security agreement. This will increase certainty for creditors by reducing their financial risk, resulting in lower financing costs. The adoption of a fixed 60-day stay period would level the playing field between Canada and the U.S., since the U.S. already benefits from a similar provision under the U.S. Bankruptcy Code. Stakeholders were consulted, and they supported the proposed approach.

The adoption of consequential amendments to Canada's insolvency laws is expected to have benefits for Canadian aircraft manufacturers, financiers, and airlines on the international level.

**Mr. James Wu (Senior Project Leader, Competition Issues and Transactions, Department of Finance):** The convention and protocol will also establish an international registry in which interest in aircraft equipment will be registered.

Currently in Canada, each province and territory maintains its own registry, and the federal government maintains a registry as mandated by the Bank Act. The establishment of a single worldwide registry would replace both federal and provincial registries for

aircraft and aircraft parts in Canada and would greatly simplify aircraft registration. The creation of the international registry is viewed by stakeholders, including the legal community, manufacturers, and financiers, as providing a considerable advantage in terms of time, cost savings, and improved certainty.

With respect to the Bank Act special security regime, it also allows banks in Canada to register security interests on a national basis for certain products listed in the act. The types of products that can be registered under the Bank Act are technically broad enough to include aircraft equipment covered by the new protocol. However, our understanding is that the Bank Act special security regime is rarely, if ever, used for registering aircraft. Nonetheless, amendments to the Bank Act would be required to avoid potential overlap with the proposed international registry. The most effective means of doing this is to remove aircraft equipment from the scope of the Bank Act, as we are undertaking.

**Ms. Natalie Giassa (Counsel, International Private Law Section, Department of Justice):** Normally, matters relating to security interests fall within provincial jurisdiction. The provinces, through the Department of Justice Advisory Group on Private International Law, identify this initiative as one that should be pursued. Canada, therefore, participated in the development and negotiation of the convention and protocol. Provinces were regularly consulted and showed support throughout the process leading to the adoption of the instrument. Provinces continue to be consulted through the Department of Justice Advisory Group on Private International Law and through the Uniform Law Conference of Canada and continue to demonstrate interest and support for the convention and protocol.

Some provincial implementation legislation will be required before the convention and protocol can take effect in respect of Canada. The provinces developed a uniform implementing act at the Uniform Law Conference of Canada. Since then, Ontario and Nova Scotia have passed implementing legislation that will enter into force when the instruments take effect in Canada. Adoption of this bill will encourage the remaining provinces, especially those with significant aviation interests, to pass their own implementing legislation. This would facilitate Canada's eventual ratification of the convention and protocol.

**Ms. Nada Vransy:** In conclusion, this bill is an important step towards eventual ratification of the convention and aircraft protocol. This would confer significant benefits to the airline and aerospace industries and the Canadian economy more broadly.

Now we would be pleased to answer any questions from committee members.

• (1540)

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

We will proceed to those questions, and we will start with Mr. Nicholson.

**Hon. Rob Nicholson (Niagara Falls, CPC):** Thank you very much, Mr. Chairman.

Congratulations to all of you and your respective departments for your participation in this. I think this is a step in the right direction, and one that certainly has our support. I wonder if I could go back to one or two things that were raised in this.

Ms. Blanchard, you indicated that there would be a 60-day stay period if there was a default under the security. You said during that period of time the debtor would have the opportunity to correct the default. Tell me what happens at the end of the 60-day period. Would the remedy of seizure be available to the secured creditor or the creditor with priority?

**Ms. Mireille-France Blanchard:** The objective is that the debtor would have that 60-day period to remedy any defaults, which means there could be one or two or three defaults, it doesn't matter. As long as the debtor cures all defaults by the time the 60-day period ends, then basically the creditor would not have the need to seize the object. If the debtor does not cure all the defaults, then the creditor would have a repossession right where he could go ahead and seize the object.

**Hon. Rob Nicholson:** That priority, then, would be established according to this international registry?

**Ms. Mireille-France Blanchard:** Yes, absolutely. The security would be registered in the registry, and then it would rank according to the date of the registration of the security.

**Hon. Rob Nicholson:** It was mentioned I think perhaps, Ms. Giassa, that because this area, or much of it, is in provincial jurisdiction, presumably provincial contract law and the law with respect to the Personal Property Security Act would have a great influence on this. Could you tell me, generally, would the ranking of security interests be similar to those I would expect to find in most provincial personal property security legislation?

**Ms. Natalie Giassa:** I'll let my colleague Mr. Gilles Lauzon answer the question, only because he's the one who has the experience with the security aspects.

**Hon. Rob Nicholson:** That's good, because my next question was to him in any case.

**Mr. Gilles Lauzon:** Thank you for that vote of confidence.

Yes, the international registry would operate basically on the same principle. The priority rule there is quite simply that first registered, first in time. So a registered interest will have priority over any unregistered or subsequently registered interests.

**Hon. Rob Nicholson:** That's fair enough.

You indicated there were a number of countries, and I think you said Germany, the United Kingdom, the U.S., and France. Those are first world countries. Do you have a list you could provide at some point—you don't have to produce it today—of other countries in the world, some of the smaller countries, that would get on board? It seems to me that would be a pretty important component of this, to have a worldwide application, not just to have a secure route in the major countries. We might have the least amount of problems with them. It seems to me there may be other countries where something like this might be pretty critical.

**Mr. Gilles Lauzon:** Yes, definitely. The international convention we're proposing here in the protocol covers very familiar ground to Canadians. We're not proposing anything that's too exorbitant to exist in Canadian law.

One great feature of this convention is that it sets standards for the proper conduct in relation to financing transactions. It's very important that third world countries get on board.

**Hon. Rob Nicholson:** Are they getting on board?

**Mr. Gilles Lauzon:** That's exactly what I was getting to.

Yes, we have here for your consideration a list of the parties to these conventions. It is a list of those who have signed but not ratified yet, because very few have yet ratified. But you have here, if I just go down the list, Burundi; Chile; China; Congo; Cuba; Ethiopia; France, which we mentioned; Guyana; Jamaica; Jordan; Kenya; Lesotho; Nigeria; South Africa; Sudan; Switzerland; Tonga; Turkey; U.K., which has also been mentioned; United Republic of Tanzania; Italy; Senegal; Panama; Germany; Saudi Arabia; U.S.; and Ukraine.

• (1545)

**Hon. Rob Nicholson:** That's good.

**Mr. Gilles Lauzon:** Amongst those who've actually not only signed but ratified the convention there are four: Panama, Ethiopia, Nigeria, and Pakistan.

**Hon. Rob Nicholson:** We're going to have to have a lot more than that for this to work.

Let me ask you as well about the Canadian situation. One of the speakers indicated that throughout this process you've consulted with the provinces, in as much as most of contract law is in provincial jurisdiction. You said Ontario and Nova Scotia, I believe, have ratified this. Where are we at with, for instance, the Province of Quebec? You said they have a major interest in the airline industry. How soon are they going to be having a look at this?

**Mr. Gilles Lauzon:** Do you want to handle it?

**Ms. Natalie Giassa:** We have close contact, both at the working level and at the official level, with the provinces in terms of where they are for implementation. Quebec has, as recently as this week, told us that this is not on their legislative agenda at this time.

I would like to stress that this is not unusual at this point. The convention is still relatively new—we just signed it. Most of the other jurisdictions don't have this on their legislative agenda either. It's fairly usual.

**Hon. Rob Nicholson:** Do you have any indication from anybody that they will not go ahead with this?

**Ms. Natalie Giassa:** Absolutely no indication.

**Hon. Rob Nicholson:** The feedback that you've had has generally been positive.

**Ms. Natalie Giassa:** Quite positive, in terms of both the implementing legislation that the provinces developed together at the ULCC and also the benefits that could be derived for specific industries.

**Hon. Rob Nicholson:** How many provinces would have to pass this before it's considered to be ratified by Canada?

**Ms. Natalie Giassa:** There's no magic number. It really depends on the initiative. Each convention has different factors that will be examined or analyzed before a decision is made. These can include such things as where the industries are located, or sometimes, depending on the convention, it could be population representation. There could be a strong stakeholder interest, which means that you could go ahead and ratify with a small number of provinces, depending on the demand.

**Hon. Rob Nicholson:** Who would make that determination?

**Ms. Natalie Giassa:** The process for getting authority to ratify a convention is that normally we go through cabinet.

**The Chair:** We'll come back to you.

Madame St-Hilaire.

[*Translation*]

**Ms. Caroline St-Hilaire (Longueuil—Pierre-Boucher, BQ):** Thank you for your presentation. I feel reassured. In fact, you may be the ones who should feel reassured, as your presentation has a lot in common with my position. We'll probably get along splendidly on this topic.

My colleague was talking about Quebec. He would indeed like to see an aerospace policy. However, some of what you had to say does concern me a bit. You said that the government of Quebec's legislative program did not include these acts; it seems they do not intend to adopt them. Are those your departments? What is going to happen? Is there a time limit? What is the next step for this to become an integral part of the agenda of the National Assembly?

[*English*]

**Ms. Natalie Giassa:** Having spoken recently with Quebec, I can tell you that they did not share very much information with us. Normally they don't; provinces don't usually have to. We're not responsible for provincial implementation. Provinces saying that this is very much in their jurisdiction implement at their own pace and develop their own legislative agendas.

What makes us very comfortable in tabling this piece of legislation is the support that Quebec and other provinces have shown us throughout the entire process and the fact that Quebec was on the Canadian delegation throughout the development and negotiation of these instruments. Also, Quebec participated at the ULCC in the development of uniform legislation. And Quebec will also be taking part with the other provinces in the development of model wording for eventual declarations that provinces will be making to the international community through the depository. Those signs make us very comfortable in our decision to move ahead with our implementing legislation. We're confident that the provinces will follow suit.

In terms of next steps, we're at the implementation level at this point. Ratification would come further down the road, and we're not at that point right now. As I explained earlier, ratification would require us to go back to cabinet once the time is right. Those depend on a number of factors at any given time. I don't know what I can add to that except that implementation will be an indicator at ratification time.

● (1550)

**The Chair:** There's lots of time left.

Mr. Carrier.

[*Translation*]

**Mr. Robert Carrier (Alfred-Pellan, BQ):** I want to make sure that I understood. Once Bill C-4 has been passed, will each province have to pass its own law for this to apply on its territory?

**Ms. Natalie Giassa:** That will be the case for the provinces, but not necessarily for all of the provinces or jurisdictions. Yes, the provinces that want these instruments will have to introduce their own law.

**Mr. Robert Carrier:** Are these loan securities not related to the Bank Act, which is a federal law?

**Ms. Natalie Giassa:** Yes.

**Mr. Robert Carrier:** In that case, wouldn't this apply automatically, without each province necessarily having to pass its own law? I need this clarification.

**Ms. Natalie Giassa:** Who wants to answer that question?

[*English*]

**Mr. James Wu:** It only touches the banking legislation in the sense that the security regime under the Bank Act is involved. Our understanding is that the registration of aircraft equipment is almost never done under the Bank Act. As such, it's rarely, if ever, done under the Bank Act.

To give you an example, when banks lend to you and I for a mortgage, the security instrument is actually held under the Personal Property Security Act. It's the separation of the security aspect of the loan versus the powers of the bank.

**The Chair:** Go ahead, Mr. Lauzon.

[*Translation*]

**Mr. Gilles Lauzon:** I think that the subtext of your question is whether or not the federal government could go forward without waiting for the provinces, and I think that the answer to that question is a historical one. A law similar to this one was passed in the 1960s to implement another convention, the Convention on the international recognition of rights in aircraft, signed in Geneva in 1948.

At the time a strictly federal implementation bill had been prepared, introduced and adopted. It was thought that there were excellent arguments for this to be of federal jurisdiction. Later the Senate in its wisdom told us that it did not agree, and that we should perhaps take a new look at the whole issue and work on it with the provinces.

Since that time we have worked together with the provinces in this area. That is why in this case we have taken it as a given that the legislation for the most part involves matters of provincial jurisdiction, in particular the civil law property concept, which is a field of provincial jurisdiction.

Certain aspects of the issue are clearly federal. The Bank Act is one of them. Everyone knows that under the Constitution bankruptcy is a matter of federal jurisdiction. The issue of unlimited privileges and possibly that of the supervisory authority are also matters that fall under federal jurisdiction. As for the rest, as a working hypothesis we believe that they are matters of provincial jurisdiction.

Have I answered your question?

**Mr. Robert Carrier:** Yes, that did enlighten me in part, but you are nevertheless forging ahead and showing that there is an intention at the federal level. This gives all of the provinces an example. If they think the bill is interesting they can apply it themselves directly to their territory. That is why the bill was passed.

You say that these are matters of provincial jurisdiction. In that case, you could have allowed each of the provinces to pass its own law without adopting a federal law. Why act first if these are matters of provincial jurisdiction? Why is it important that the act be passed first at the federal level?

• (1555)

[English]

**The Chair:** Mr. Lauzon, this is the last question for Ms. Giassa.

**Mr. Gilles Lauzon:** Thank you, Mr. Chair.

I guess I should try to be brief.

[Translation]

The importance of the federal law is twofold. Firstly, it shows the provinces that we are serious. We feel that this is a serious convention and that this is worthwhile. There is a message there for the provinces.

We should not forget that according to our Constitution the negotiation of international conventions is strictly a matter of federal jurisdiction, but their implementation follows the distribution of jurisdictions as outlined in the Constitution. The provinces may not implement certain aspects, certain articles of this Convention. The federal law deals specifically with those matters that fall exclusively under federal jurisdiction.

**Mr. Robert Carrier:** Thank you.

[English]

**The Chair:** Okay.

Ms. Desjarlais.

**Mrs. Bev Desjarlais (Churchill, NDP):** Following much along the same lines, you've just commented that by following through with this legislation, the provinces will realize the seriousness and the benefits of it. However, I believe the international convention was signed in 2001. Is that right?

**Ms. Natalie Giassa:** It was adopted in a diplomatic conference in 2001, but Canada signed it this year.

**Mrs. Bev Desjarlais:** This year, okay.

You indicated previously that Quebec had representation on the working group with it. Was that this year or back along the time it was being agreed to?

**Ms. Natalie Giassa:** I mentioned Quebec because the question that was posed to me was specific to Quebec, but in essence all of the provinces are represented at the ULCC in the development of uniform legislation. And the provinces are represented at the advisory group.

**Mrs. Bev Desjarlais:** So how long have they been involved with this process?

**Ms. Natalie Giassa:** From the very beginning.

**Mrs. Bev Desjarlais:** The very beginning being when, 2001 or now?

**Ms. Natalie Giassa:** In 1996, 1999.

**Mrs. Bev Desjarlais:** Okay.

**Ms. Natalie Giassa:** It was as far back as 1999, that I can testify to.

**Mrs. Bev Desjarlais:** I'm just wondering why you'd need to convince them of its importance if they've been involved since the beginning.

**Ms. Natalie Giassa:** It's not really convincing them of its importance as much as it's showing that we're serious about this.

**Mrs. Bev Desjarlais:** How would they not know you're serious if you've been discussing it since 1996?

**Ms. Natalie Giassa:** A lot of these private international law conventions sometimes don't need federal implementation legislation, but just need provincial implementation legislation. In this particular case, in order for Canada to fully meet its obligation, we need federal implementation legislation also; and in order to demonstrate to the provinces that we're ready to go and we're serious about this initiative, we've tabled our legislation.

**Mrs. Bev Desjarlais:** You don't think that having been discussing this since 1996, they should somehow know you're serious and that it needs to be implemented?

I guess I'm wondering why there are only two provinces signed on to it and there are still discussions with others—and I was just thinking of 2001, let alone 1996.

**Ms. Natalie Giassa:** I would say that it's not so much discussions with others as they are reporting back on the status of their implementation. And I would say the fact that we have two jurisdictions at this stage ready to go is actually exceptional, and it's very good news for us. It's not unusual at this point for jurisdictions not to have this on their legislative agenda; it's still early on in the process.

**Mrs. Bev Desjarlais:** Does it create any kind of a problem for any of the provinces, either those signed on or those not signed on, having this legislation in place and then not having anything ready to go with the provinces?

**Ms. Natalie Giassa:** I don't think that we can say we would ever be in a situation where there would be nothing to go with. We're very confident that the content of this legislation is positive and beneficial to Canada.

In terms of eventual ratification, as I said, certain factors are going to be taken into consideration in an eventual decision, but there is no magic number. So depending on either the willingness of the stakeholders or of the provinces that have already implemented or on the indications of other provinces, we would be able to ratify if certain conditions are met and if cabinet gives us authority.

•(1600)

**Mrs. Bev Desjarlais:** Certainly from my perspective, and I think from what I've been hearing from my other colleagues, there is just this concern that we not create a problem for the provinces. I think we all looked at this and we've had discussions. There seemed to be no real issue with it; it was very technical. We've reached out to different organizations to see if they have any concerns, and nobody seems to have them.

So just with the idea in mind that the provinces wouldn't all be onside to doing this, I just want to ensure we're not creating a problem for any of those provinces, whether they're signed on or not signed on.

**Ms. Natalie Giassa:** First, I'd like to mention that this bill is being tabled, and even if it were passed it would not come into force right away. That's one thing that needs to be clarified. In fact, one of the reasons it wouldn't come into force right away is that we're not ready to ratify, and that needs to be clarified.

The other issue is that the provinces are well aware they don't have to wait for each other, and they're well aware of the presence of the federal state clause in the convention and the protocol, which allows provinces to implement at their own pace.

**Mrs. Bev Desjarlais:** Thank you.

**The Chair:** I'd just point out to you, Ms. Giassa, that bills aren't tabled; they're presented.

**Ms. Natalie Giassa:** Thank you.

**The Chair:** Mr. Karygiannis.

**Hon. Jim Karygiannis:** I want to thank everybody concerned for coming here today and doing such a wonderful job.

Certainly, the department and the cooperation with the departments is something we're looking forward to continuing. We will be watching extremely carefully the cooperation.

I just have a couple of questions. Only two provinces, Ontario and Nova Scotia, have ratified so far. Maybe my colleagues across the way would like to speak to their respective provinces, especially Manitoba, to make sure they do sign on—and Quebec. It's very important, and I'm sure you'll agree we need to move this file forward.

The question I have for you is, if the 60 days have passed and a plane is outside the jurisdiction of Canada, will this international treaty allow—let's say it's an Air Canada flight and the flight is in Pakistan, which has signed on—the leasee in the States to go to Pakistan to seize the plane?

**Ms. Mireille-France Blanchard:** Actually, yes. The international framework that would be created with this convention and protocol and bill would allow a creditor to seize an aircraft in another jurisdiction after that 60-day period.

**The Chair:** Mr. Bonin.

[*Translation*]

**Mr. Raymond Bonin (Nickel Belt, Lib.):** Thank you Mr. Chairman.

There will be an international registry. I would like to know who will control that registry.

**Mr. Gilles Lauzon:** We want an international registry to simplify matters. There would be an entity to turn to in order to find out what rights have been registered for a given aircraft. This simplifies things enormously. Who will control it? The international convention says that there will be a supervisory authority. What is the current state of affairs? The supervisory authority that is being considered is ICAO, the International Civil Aviation Organization, which as everyone knows has its headquarters here in Montreal.

**M. Raymond Bonin:** If several provinces have neither signed nor passed the act, is that because they have no airline companies on their territories? I don't see Prince Edward Island making this their priority. I think that there are no longer any such companies in Manitoba. Could that be one of the reasons?

**M. Gilles Lauzon:** Yes, that could certainly be a factor. When no one in your jurisdiction asks you to ratify the convention or pass the act to allow for the ratification of the convention, that is certainly a factor.

But we should not forget that there are other factors as well. It is more complicated for the provinces than for the federal government. There are many more laws that must be changed. In Quebec, we have to make changes to the Civil Code. A uniform implementing act was developed at the Uniform Law Conference of Canada. The provinces have to study it and ensure that it suits them. This is fairly important work; we are trying to encourage them to proceed. Ontario has done so and survived the exercise. Nova Scotia did so as well. Please go ahead.

•(1605)

**M. Raymond Bonin:** Mr. Chairman, the point I am about to raise is the most important one, to my way of thinking. I must admit that I did not spend the night studying this bill. I have better things to do, even at night.

When a bill is introduced, I always pay a lot of attention to the opposition that is voiced to the bill. When there is no opposition, which is the case here, there is a risk that it can get passed very quickly. The people who should have opposed it then start turning up when the work is over, and that is when the problems begin.

You worked on this bill. Do you know if anyone is against it? We have to make sure that they at least get the opportunity of giving us their version.

**Mr. Gilles Lauzon:** Personally, I don't know anyone who is against the bill. People have asked me questions as the negotiations proceeded. We took their fears and reservations into account. We drafted and negotiated texts that took their concerns into account. At the end of it all, people were satisfied.

We carried out exhaustive consultations. Whenever a draft came out and a new meeting was held we sent all of the documentation to a long list of varied individuals throughout the country to ask them what they thought of the draft. And whenever comments were forwarded to us those comments were included as part of our instructions.

This formed the basis of our negotiation, and we managed to obtain what they wanted.



[English]

**Mr. Raymond Bonin:** Mr. Chair, I wanted to get that on record so that if there are objectors it's their responsibility to be aware of what is going on, because if I'm not bombarded with objections on Monday, I will be encouraging this committee to go fast with this.

[Translation]

**Ms. Mireille-France Blanchard:** I might add that at our department we have taken the initiative of consulting stakeholders independently, in particular those in the aeronautical field, but especially those who were not consulted by the Department of Justice, that is to say people concerned with bankruptcy matters. The names of those people are on your list of witnesses.

Consultations were held in Montreal in February 2003 and the bankruptcy stakeholders told us that although we were creating an exception in a way, or special provisions to meet the specific needs of people in the aeronautical area such as airline companies, etc., they understood the position we had adopted in this area and were favourable to it. Finally, they clearly indicated that they could support this initiative.

We hope that this will continue. We do not expect the bankruptcy stakeholders to be submitting anything to you.

[English]

**The Chair:** Thank you.

Then we'll move back to five-minute rounds. Who wants to proceed?

Mr. Scheer.

**Mr. Andrew Scheer (Regina—Qu'Appelle, CPC):** I apologize if there's a very obvious answer to this question. We're looking at establishing a registry of this sort, and my question is simple. Who pays for it? Is this something that the Government of Canada would commit money to every year? Would it be the owners of the aircraft or the airlines who would manage this? I see some heads nodding, so I'll just leave it at that.

**Mr. Gilles Lauzon:** This was a concern, who pays for it, because I think the governments, and including the Government of Canada, said no, we don't want to pay for this, this has to be self-sufficient. So how it's going to fund itself is simply through fees. When you register, there's going to be a fee. When you search there's going to be a fee, and of course as you're dealing with people who are going to be registering transactions with very large amounts of money, they have no special concerns about fees, within reason of course.

So funding of this at this point in time doesn't appear to be an issue. In all events, the principle is there in the convention that this registry has to be self-sufficient

• (1610)

**Mr. Andrew Scheer:** At this point, it's understood that users of the system will pay for it.

Are there any accountability measures in there to ensure fees don't become onerous? I can't imagine them getting to the point where people with a couple of million dollars invested in a plane would mind paying a few dollars on a registration form. But we have seen

other registries that have ballooned out of proportion. It's just to ensure that doesn't happen.

**Mr. Gilles Lauzon:** There is a mechanism. The fees have to be approved by this supervisory authority, which in all likelihood is going to be the Council of the International Civil Aviation Organization. Canada sits on that council. It's one of the 33 members of that council.

This council, on these particular matters, is going to be advised by a commission of experts. We are now in a very good position, when the convention enters into force, to be on that commission of experts.

Their reports have to be presented to justify any increases in fees. Then at that stage, we would have an opportunity to input on any increase in fees that might be outrageous. So I think that there is a mechanism responsibility there.

**Mr. Andrew Scheer:** Thank you.

**The Chair:** Are there any further questions?

Go ahead.

**Hon. Rob Nicholson:** I want to extend my congratulations to all the people. It takes a lot of people to put something like this together. A lot of changes, and a lot of negotiations and consultations, have taken place, I'm sure, over many years. I'm sure that it gives you a certain amount of satisfaction to see how close you are to having this implemented.

You indicated, Monsieur Lauzon or Ms. Giassa, that it is the cabinet who would decide on the actual implementation and ratification. Would this take place by an order in council, or would it require anything beyond the passage of this bill?

**Ms. Natalie Giassa:** Once it's determined that the time is right for ratification, the federal government will seek authority to ratify the other.... It's a usual practice before conventions get ratified. We go to cabinet to seek authority. If their authority is obtained, the Minister of Foreign Affairs prepares instruments of ratification and deposits them to the depository along with any declarations that Canada would make.

In terms of the exact procedure, unfortunately we don't have anybody here from Foreign Affairs today. For that particular question, in terms of order in council, we can undertake to get an answer for you from Foreign Affairs.

**Hon. Rob Nicholson:** Just out of interest, I wouldn't mind having that, Mr. Chairman.

**The Chair:** Would you like them to provide that?

**Hon. Rob Nicholson:** I would appreciate that very much. Thank you.

**The Chair:** Mr. Bonin.

**Mr. Raymond Bonin:** Having said what I said, Mr. Chair, in the next meeting I'm ready for clause-by-clause if others are.

**The Chair:** Ms. Desjarlais.

**Mrs. Bev Desjarlais:** I want to clarify something. Certainly when I sit here as a representative, as the transport critic, I don't just represent the province of Manitoba; I represent each and every province and the interest that our caucus would have in this bill in regard to the people affected in those provinces. In that regard, I have a question as to whether or not the intent of the bill is to encourage the provinces to take part in this change, or if it's to force the provinces to take part in this change.

**Ms. Natalie Giassa:** I'll take it, and then maybe Mr. Lauzon can add to that.

Certainly from our experience we in the federal government, in terms of private international law conventions, for the last over 30 years have been working closely with the provinces through our advisory group and through the ULCC.

One of the reasons the mechanism was developed is that the federal government cannot force the provinces. It's entirely up to the provinces.

**Mrs. Bev Desjarlais:** Which departments from the province, or which department, would you have been specifically dealing with? Would it be their intergovernmental affairs? Would it be industry? Would it be transport? A variety?

• (1615)

**Ms. Natalie Giassa:** Exactly. It's a variety, depending on which department is talking to what contacts in the provinces, certainly for the international private law section, which is the section I work in. For example, for Manitoba we deal with the Ministry of Justice. In Quebec, my contact is the Ministry of International Relations.

**Mrs. Bev Desjarlais:** All right.

**Ms. Natalie Giassa:** So it varies from province to province.

**Mrs. Bev Desjarlais:** I see. Thanks very much.

**The Chair:** Mr. Carrier.

[*Translation*]

**Mr. Robert Carrier:** My question concerns the costs of the system my colleague was referring to earlier. I don't know if I understood correctly. You said that the industry would be absorbing those costs. The purpose of the bill is to reduce the cost of financial risks. If the businesses don't absorb them directly some umbrella organization has to take them on.

I have a related question: Did you assess the risk of bad debts in this industry to get a sense of their scope? Will the industry itself jointly assume the risks for each company?

**Mr. Gilles Lauzon:** There are two aspects to the cost issue. Firstly, there is the cost to operate the registry, which is not enormous. The users will be paying them through the fees that we will be collecting. That is a minor aspect.

However, if you refer to the benefits of this convention for the industry, that is a whole other issue. Are there risks currently when transactions take place? Yes. In third world countries those risks can be enormous, so much so that in certain countries no credit is granted. In other countries credit is extended at extremely high rates. Certain studies that were done show that if third world countries were to adopt this convention, credit could become available at much

lower rates. There is no doubt that the convention will have a positive effect on the cost of borrowing.

In countries such as Canada, there is already a very advanced system for financing. These questions don't come up much, except one point relating to the Bankruptcy and Insolvency Act, and which my colleague discussed. Clearly because of the existing text of the Bankruptcy and Insolvency Act, Canadians are at a disadvantage. They are forced to pay more when they want to obtain a loan. With this act, by availing ourselves of an option that is offered in the convention, we will adopt a rule which for all practical purposes will be identical to the one that is currently in use in the United States. Thus, we will be levelling the playing field for Canadians and Americans when citizens want to obtain credit. Canadians will, accordingly, be able to obtain credit at approximately the same rates as the Americans.

That is a very important factor for Canadian industry. That is an aspect of this convention which may interest you.

[*English*]

**The Chair:** Mr. Karygiannis.

**Hon. Jim Karygiannis:** Mr. Chair, again I'd like to thank all the departments concerned. I probably have one question, and I'm sure that all of us want to go home here tonight so I'll probably be the last speaker, but thank you.

You said 60 countries are part of this protocol ratification. Which countries—major countries, major players—are thinking about it, hemming and hawing? Is China on board? Is Russia on board? Are there any major countries that are not on board? And I really thank everybody for bringing this to fruition and passing it.

• (1620)

**Mr. Gilles Lauzon:** I don't know that we're up to 60 countries actually on board. I think there are about 28 that actually signed onto it.

**Hon. Jim Karygiannis:** But 60 countries agreed to it.

**Mr. Gilles Lauzon:** Yes, at the conference.

**Mrs. Bev Desjarlais:** I think it's 28...[*Inaudible—Editor*].

**Hon. Jim Karygiannis:** But hold on, Bev; 60 countries have agreed to it.

**Mrs. Bev Desjarlais:** Yes.

**Mr. Gilles Lauzon:** If you want to see where we stand vis-à-vis other countries, I think the major European countries are on board. They're going to be a little bit slow picking up. Unfortunately, there are articles in this convention that have to do with the issue of jurisdiction, and the issue of jurisdiction is not one of individual countries'. It belongs to the legislative authority of the European Union. That always means delays.

So whilst the Europeans are trying to sort themselves out and trying to adopt legislation on how to implement these articles on jurisdiction, it's going to take a bit of time. But I think we have clear signals from major countries in Europe that they want to go that way.

We also have more than a clear signal from the United States that they're going that way. The United States presented legislation to enable them to implement this convention. The House of Representatives and the Senate passed it. The President has put it into law. It's not yet proclaimed, or "in force", to use Canadian vocabulary. In a separate process, which is necessary for them to ratify an international convention, the U.S. Senate was asked by the U.S. President for its advice and for consent to ratification, a constitutional requirement. The U.S. Senate said yes, go ahead and ratify.

**Hon. Jim Karygiannis:** Are countries like China and India on board? Are they part of the 60 countries? Is Russia part of the 60 countries?

**Mr. Gilles Lauzon:** China is definitely very interested.

**Hon. Jim Karygiannis:** Are they part of the 60 countries?

**Mr. Gilles Lauzon:** Yes, definitely. They're part of the countries who have gone ahead and signed, part of the 28, even. So they're on board.

India is not, for the time being, but that's.... Things take a bit of time in India. They have been very cooperative and on board in the negotiations.

**The Chair:** Mr. Bonin has a question, and then we'll move to Mr. Gouk.

**Mr. Raymond Bonin:** Mr. Chair, thank you.

I have a question of our panel and also of you, as chair.

I chaired this committee a couple of times—

**Hon. Jim Karygiannis:** You did a fine, good job of it, too.

**Mr. Raymond Bonin:** —and I enjoy being here. One thing we did before going to clause-by-clause was ask the cooperation of opposition members, especially, to have the amendments presented and shared with the committee ahead of time. After the meeting, Mr. Chair, perhaps we could ask for agreement on that.

**The Chair:** You're pre-empting what is coming. We discussed that at our business meeting, yes.

**Mr. Raymond Bonin:** There's a reason for what I'm saying.

The most frustrating thing for a chair is to have the opposition cooperate, share everything—

**Mr. Jim Gouk:** It won't happen very often.

**Mr. Raymond Bonin:** Oh, it did every time. They were very good.

**An hon. member:** Now that we have you outnumbered, we need you to cooperate.

**Mr. Raymond Bonin:** That's right. That's exactly where I'm going.

When the department comes in with twenty amendments just ten minutes before the meeting, there's nothing more frustrating. I'd like to ask you to tell us that you don't plan any amendments, and if you do, I'd like whatever we agree to here to be binding on both the government and the department side. It's too frustrating to get these ten minutes before the meeting.

**The Chair:** I assume your question, then, Mr. Bonin—

**Mrs. Bev Desjarlais:** Is that a motion?

**The Chair:** —is for our witnesses, asking if they have any amendments lined up in the wings.

**Mr. Raymond Bonin:** Yes, because they have to put it through members. We don't want surprises.

**The Chair:** So it's not a question for me, it's for the witnesses.

**Ms. Mireille-France Blanchard:** I can tell you that Industry Canada does not anticipate any amendments.

**The Chair:** Thank you.

Any other questions?

**Mr. Raymond Bonin:** Yes. Will you show this bill to Justice Canada now, after you talk to us? Because that's where the problem is. When you show it to Justice, they panic. They get paranoid. They're the ones who force the damn amendments.

**Mr. Gilles Lauzon:** Well, I'm from the Department of Justice, and I can tell you, we've consulted within our department up until now on an ongoing basis. We haven't had anybody come up with any amendments. As we were developing the bill, that's when people came up with proposals and suggestions, and these were incorporated.

At this point in time, I have no indications from anybody, in my department at least, that they want an amendment to this thing.

• (1625)

**The Chair:** Mr. Batters.

**Mr. Dave Batters (Palliser, CPC):** Thank you, Mr. Chair.

I'd like to start by thanking the panellists and the different departments that participated in putting together Bill C-4. I'm not sure how many times I'll sit here and see unanimous agreement from everyone involved on the merits of a bill. It seems like a very noble effort, and I applaud everyone involved.

I apologize if my question is answered in the briefing notes or something. Like Mr. Bonin, I didn't study Bill C-4 into the wee hours last evening.

I take it we're going to hear from representatives of the airline industry regarding Bill C-4. On page 2 in the background, it refers to Air Canada being in favour of the objectives of the convention and protocol.

Mr. Chair, are we going to hear from representatives of Air Canada?

**The Chair:** We'll get to that, but the answer is yes.

**Mr. Dave Batters:** Of course, we have other airlines in this country. Perhaps the suggestion could be, and maybe this has already happened, that all airlines be contacted and made aware of what is contained in Bill C-4. It sounds as if no one has any amendments or problems with this bill, and in the absence of that—

**The Chair:** We'll deal with that aspect of it after. If you want to ask the witnesses the question, have all airlines been confirmed as—

**Mr. Dave Batters:** I'll ask the witnesses, then. Are all airlines in Canada supportive of Bill C-4?

**Ms. Nada Vransy:** Yes.

**Mr. Dave Batters:** Thank you very much.

**The Chair:** The list is exhausted. There are no further names. Does anyone have any further questions?

I want to first thank the witnesses for coming today. We finished in an hour. That's very good. I want to advise committee members that our clerk, based on our discussion of Tuesday, contacted the list that was provided to us. We are going to hear, at our next meeting on Tuesday, from Air Canada and from ATAC, as requested by Mr. Nicholson. They will be here at 3:30 on Tuesday in this room.

ATAC and Air Canada are going to make a joint presentation, I am told, and they don't expect to be here any period of time at all. In fact, my understanding is they are here to endorse it, and they're

going to send their "experts" to address any points on the finer nuances of the bill that anyone might have. That being the case, and subject to the contingency that there be no amendments, I would propose, then, that we move to clause-by-clause after that.

Do we have agreement on that?

**Some hon. members:** Agreed.

**The Chair:** Okay.

I want to thank the witnesses for coming today. You've been very helpful.

This meeting is adjourned.

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