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—
Chair

Mr. Brian Pallister

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•(1005)

[English]

The Chair (Mr. Brian Pallister (Portage—Lisgar, CPC)): We will commence. Good morning and welcome.

Pursuant to Standing Order 75(1), consideration of clause 1, the short title, and the long title of the bill is postponed. The chair calls clause 2.

There is a point of order. Mr. Pacetti.

Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.): Yes, Mr. Chair, just before we begin I'd like to put on record that we had witnesses here yesterday, and I had to leave at 5:30, but I think the last witness probably testified about 5:45. Some of the witnesses suggested that we make some amendments, but the deadline for submitting amendments was six o'clock, so I don't see how that would have been possible.

I don't want to delay this, but I'm saying in future we should probably think about the steps and the procedures before we continue with clause-by-clause when we have witnesses beforehand, because it's almost impossible to put in amendments after a hearing.

On the record, I'm not too pleased with what happened between calling in the witnesses, the end of hearing witnesses, and then the clause-by-clause.

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

I want to give clarification to all members that they can draft amendments right now if they wish. I mentioned last night as an administrative encouragement, not as a deadline, and if members have amendments they wish to bring forward even at this moment they're certainly welcome to do so. The member knows, as a past chair, the advantages to the committee and to the staff of having amendments in earlier if possible, but there is no restriction on bringing amendments forward at this point in time.

We'll proceed. I understand we could proceed to.... There are no amendments up to clause 57, so we could, if the committee would like, proceed by asking if clauses 2 to 57 inclusive carry. We could proceed to simply adopt clauses 2 to 57 and then proceed to deal with amendments, rather than have discussion on each of the clauses as we go. It's entirely up to the committee members. If you would accommodate that, as there are no amendments, I might be led to assume we could proceed to clause 58 and begin discussion at that point.

Are all committee members in acceptance of that approach?

Some hon. members: Agreed.

(Clauses 2 to 57 inclusive agreed to on division)

(On clause 58)

•(1010)

The Chair: We will move then to the first amendment, which is on clause 58, from Mr. Pacetti. All members have copies of the amendment.

Mr. Pacetti, would you like to speak to that amendment?

Mr. Massimo Pacetti: Yes. It's quite simple. This is also to make sure we're all in conformity with what the finance minister said and that we're all in agreement with what the budget book says on page 218. I think there was an error in drafting the budget bill, so....

To make sure everybody is on the same page, let us look on page 64. Subclause 58(1) says 15% in proposed subsection 117(2). But then, when we go to subclause 58(2), proposed paragraph 117(2)(a) says 15.25%, which means there was an increase in the tax rate.

All I'm requesting here is that the committee consent to the idea of changing the amount of 15.25% to 15%. I think it's clear. It's in conformity with page 218 of the budget bill. We're not trying to increase taxes, so if we leave the rate at 15% we're not going to have an increase in tax rates.

The Chair: Do any other members wish to speak to this amendment?

Yes, Madam Ablonczy.

Ms. Diane Ablonczy (Calgary—Nose Hill, CPC): What my colleague is doing is looking at one aspect of the budget in isolation, and I think he's aware that if this amendment were passed it would throw the whole budget out of whack, because it would add a tax measure into the budget that would cost several billion dollars. Of course, this is not allowed for in the budget. The government has a budget plan; it has a tax relief plan, which is substantial but is not tied to this one measure—it includes a number of measures.

I would simply point out to the committee that were this amendment to pass, the whole budget would be completely undermined, because its coherence depends on the measures staying as they are. It would be somewhat irresponsible for this committee to add an additional tax liability to the budget plan of several billion dollars, for which obviously there are not the funds, and Canadians would be ill-served by such a substantial amendment at this stage of the game.

The Chair: I just want to make sure Mr. Turner has a copy of the amendments as proposed. We're dealing with the first one, Garth.

Are there any other comments on this amendment?

Mr. Pacetti.

Mr. Massimo Pacetti: We're not asking for any additional tax burden; we're just asking for the status quo.

For the 2005 taxation year, which would be covered in proposed paragraph 117(2)(a) in subclause 58(1), it says 15%. It's just that for the year 2006 we decided to go to 15.25% for no reason. So we're increasing the personal tax rate.

I'll speak to the next amendment as well, where in subclause 58(3) again we're increasing it in proposed paragraph 117(2)(a) from 15% to 15.5%.

All I'm asking is that we put it back to 15%. It's not any change; we're just trying to be consistent with what the finance minister has been saying and what the budget books say. We're trying to put back the tax rate as taxpayers paid for the fiscal year 2005 on their personal tax return. It specifically says 15%.

•(1015)

The Chair: Thank you, Mr. Pacetti.

I'll just also point out to committee members that we have finance department officials here at the end of the table for their consultation during the process, if they so desire.

Mr. St-Cyr.

[*Translation*]

Mr. Thierry St-Cyr (Jeanne-Le Ber, BQ): No, that's okay.

[*English*]

The Chair: Madam Ablonczy.

Ms. Diane Ablonczy: Thank you, Mr. Chairman.

My friend is being a little disingenuous in referring to this measure as the status quo. As he knows, this was a proposal by the former government of which he was a member, but this proposal was never passed into law.

Today we are actually dealing with what tax and budget measures will be passed into law. The measure that he is bringing forward in these amendments was a proposal by his government. I certainly applaud him for continuing to support it, and I think it's obviously consistent on his part, but it's not the status quo in the sense that the proposal was never passed into law.

Here we are deciding what tax measures will actually be put into legislation and will become the law of the land. As I said before, our government has put a very coherent and very substantial tax

reduction package into place, but it contains measures other than personal income tax rate reductions. By changing those numbers, as this amendment proposes, the whole budgeting process would be thrown completely out of whack.

We certainly wouldn't be supportive of that. I think Canadians would find it very difficult to accept that this committee would somehow put billions of extra tax liability into the budget at this stage of the game.

The Chair: Mr. McCallum.

Mr. John McCallum (Markham—Unionville, Lib.): I think Canadians would applaud this committee for refusing to raise income tax, and this has been the position of our party from the beginning. We are opposed to raising income tax rates for hard-working Canadians. The effect of this amendment is that the budget does not raise income tax. In that sense, it would validate the claims of the finance minister to the effect that he's not raising income tax.

As I have said before, Canadians don't really care whether the lower income tax they're paying is because of legislation or because of a ways and mean motion. They care about what they actually pay. The effect of this budget is to raise that rate, as we all know, and the effect of this amendment is to refrain from raising that rate.

I don't expect the government side to agree, but it has been our long-held position that hard-working Canadians don't deserve the increase in the income tax rate that this budget is imposing.

The Chair: Mr. Dykstra.

Mr. Rick Dykstra (St. Catharines, CPC): I can certainly understand my good friend's position on this issue. I would suggest that it's about a year late, though, because this was actually never in, if it was an issue that was important enough to be put on the table.

I don't think it's a correction in terms of what needs to be said in the budget because there was an error. I think this goes back to what was or what wasn't in the 2005 budget. Had it been in the 2005 budget and had it been passed through legislation, we wouldn't be having this discussion today.

What's happening, what we're doing, and why this legislation is moving forward, in terms of the 16% and 15%, have to do with it never being passed into legislation. That's what we're trying to accomplish here today.

The Chair: Mr. Del Mastro.

Mr. Dean Del Mastro (Peterborough, CPC): Thank you, Mr. Chair. I only wanted to add an additional point to what Mr. Dykstra indicated.

We are in fact talking about a reduction in law for the lowest basic tax rate from 16% to 15.5%. Isn't that what we're really talking about? We're not talking about increasing taxes in law. We're talking about decreasing taxes in law.

John, you know that very well, and this amendment is very misleading in its intent.

The Chair: Mr. Pacetti.

Mr. Massimo Pacetti: Okay. Let me take you through it again.

If we are now on subclause 58(2), it means we're going to be expected to have accepted subclause 58(1), where the tax rate is now being accepted at 15%. As my colleague, John McCallum, said in the House, 15.25% is larger than 15%. It's in black and white; it's on page 63 of the budget bill. It's 15.25% and later on, in the next subclause, you will see 15.5%. Both those amounts are greater than 15%.

If the government chose to put together a tax package of tax incentives that are smoke and mirrors and that are made up of all kinds of mixes and matches, it's your prerogative. We're not disputing the other items. We're mixing one with the other. We're talking about a tax increase from 15% to 15.25%, and later on, to 15.5%.

It's in black and white. I'm not the one who wrote this. It's on page 63. When you then go on and turn the page to page 64, it's there.

Thank you, Mr. Chair.

• (1020)

The Chair: You're welcome, Mr. Pacetti.

Are there any other comments?

Mr. Turner.

Hon. Garth Turner (Halton, CPC): I think we're being obviously disingenuous here. The Liberal tax cuts were contained in budget three in 2005, and Mr. McCallum, you know that. You guys had two budgets and an economic statement in 2005, and the last economic statement that came in November 2005 was certainly a deathbed repentance on the part of the Liberal government. As my colleague says, the proposals that were put in that budget were never passed into law. Although they were accepted—because it is the de facto practice of governments to accept proposals that are made in a budget as if they had been passed in law—in fact it was never done.

What we're doing right now is actually taking an existing legislated tax rate and reducing it. If you want to argue semantics, that's what's happening.

But what you also said is extremely true, and it's one thing I want all committee members to remember. It's exactly what you said: at the end of the day, all taxpayers care about is their overall tax burden. Under this budget, as you quite rightly pointed out, the Canadian tax burden is less. That's exactly what the minister had to say to us. When he sat here as a Minister of Finance of the Government of Canada, he said categorically, without hesitation, without qualification, that every taxpayer in this country is going to pay less because of this budget. You either question the minister, or you accept what the minister had to say.

At this point, obviously you are ignoring what the whole budget says. With the Canada employment credit, with the personal exemption, with the GST cut, with everything, every Canadian is going to pay less. You are absolutely right, Mr. McCallum, and therefore we're going to do what's right on this side of the table and give those hard-working Canadians the decrease they deserve. Get used to it.

An hon. member: Hear, hear!

The Chair: Mr. McCallum.

Hon. John McCallum: This is a bit strange for the Conservatives, who would like to talk about real Canadians living outside the Ottawa beltway, that they're now talking about this arcane distinction—important in Ottawa, but not to real Canadians—between legislated tax rates and things passed by a ways and means motion. Anybody who filled out their tax form in this last year would have noticed a 15% rate. Anybody who gets their paycheque after this bill passes, if our amendment is accepted, will notice higher taxes on that first income tax rate.

To say that the minister said that taxes for all Canadians will be lower is false. Unless you're living in this—

Hon. Garth Turner: Why didn't you challenge him?

Hon. John McCallum: I have challenged him many times.

The notion that all Canadians are paying less tax is pure fiction, unless you go with the fiction of legislated rates as opposed to rates that Canadians actually pay. I could cite Dale Orr, an economist—a reputable one who more often than not was anti-Liberal when we were in government—who said explicitly that many Canadians will end up paying more taxes.

That is the fact.

The Chair: I'd urge members to wait their turn in making their comments, please.

Mr. Dykstra.

Mr. Rick Dykstra: It's certainly true, and I know that I did ask this question very early on in one of our first committee meetings when we were dealing with this very specific issue. Perhaps I could ask the ministry officials again to clarify this.

What would happen if the ways and means motion that was carried last year but didn't end up in legislation with specific respect to this issue were not to pass? What would happen to the returns of so many millions of Canadians in 2005? Because that 16% to 15% would actually not exist.

• (1025)

Mr. Gérard Lalonde (Senior Chief, Tax Policy Branch, Department of Finance): If it became clear that Parliament was not going to pass those amendments then the returns that had been filed would have to be reassessed.

Mr. Rick Dykstra: So while Mr. McCallum makes a reasonable point with respect to whether Canadians care about ways and means motions or about legislation that's passed, I know a lot of Canadians—certainly ones who live in my community—who don't want to fill out their 2005 tax returns all over again because we decided not to move forward.

The Chair: Thank you, Mr. Dykstra.

Mr. McKay.

Hon. John McKay (Scarborough—Guildwood, Lib.): Mr. Lalonde, if in fact this budget didn't pass, the November update would prevail. Is that correct?

Mr. Gérard Lalonde: If this budget did not pass?

Hon. John McKay: If this budget does not pass.

Mr. Gérard Lalonde: You would then be left with the state of the law as it was before this budget.

Hon. John McKay: The rate would be 15%.

Mr. Gérard Lalonde: No. The notice of ways and means motion has been tabled with the economic statement. As I said, if it became clear to the government of the day that it was not going to pass, you'd be in a situation where neither the October statement nor the 2006 budget would pass, in which case you'd default to the existing state of the Income Tax Act.

Hon. John McKay: What steps would the government have to take to raise the rate, or would it automatically default to the rate going up?

Mr. Gérard Lalonde: It would automatically default to the state of the law as it was, which was 16%.

Hon. John McKay: If this amendment doesn't pass, Canadians will be paying more tax at this particular rate.

Mr. Gérard Lalonde: If the amendments that are in this bill don't pass, it will default to 16%.

Hon. John McKay: Exactly. The Conservative Party is effectively raising the rate.

Mr. Gérard Lalonde: It will default to 16%, not 15%.

Hon. John McKay: It will effectively raise the rate.

Mr. Gérard Lalonde: I'm sorry. It will effectively default to the state of the law as it was before at 16%, and 15.5% is less than that.

Hon. John McKay: We're now paying 15%. If this budget doesn't pass, it will go back up to 16%.

Mr. Gérard Lalonde: The Canada Revenue Agency has administered the law on the assumption that the notice of ways and means motion proposed in the fall update would pass, until such point as it became apparent that it would not.

Hon. John McKay: The only way it will stay at 15% is if this amendment passes.

Mr. Gérard Lalonde: That's correct.

Hon. John McKay: There we are. Gentlemen and ladies, if it doesn't pass, you guys raised the rate. There it is.

The Chair: Mr. McCallum.

Hon. John McCallum: I think my colleague has basically made the point, but I want to confirm one point that was previously acknowledged by a different group of finance officials. The clear and obvious point is that in terms of what Canadians actually pay as the income tax rate, the effect of this budget is to make it go up. Is that correct?

Mr. Gérard Lalonde: That's correct, although there are other provisions that would mitigate against it, for example, the Canadian employment tax credit.

Hon. John McCallum: Well, that is true, but I'm only talking about the simple question of the lowest income tax rate. The effect of this budget is to make it go up. Is that correct?

Mr. Gérard Lalonde: That's correct.

Hon. John McCallum: The only way we can stop it going up is to bring in this amendment. Is that correct?

Mr. Gérard Lalonde: Well, the effect of this is to reduce it to 15% for 2005 and up to July 1, 2006, and then to increase it to 15.5% starting July 1, 2006. That's implemented because it's a half-year type of rule. It's implemented at 15.25% for 2006 and 15.5% for 2007.

Hon. John McCallum: I think you're agreeing with me that the only way we can hold the line at 15% is to pass this amendment; otherwise, it's going to go up. Is that right?

Mr. Gérard Lalonde: Yes, that's correct.

Hon. John McCallum: Thank you.

The Chair: Mr. Turner.

Hon. Garth Turner: Mr. Lalonde, did we not both hear Mr. McCallum say the most important thing Canadians care about is the overall tax burden? I think I heard that. Did you?

• (1030)

Mr. Gérard Lalonde: Yes, I heard that.

Hon. Garth Turner: Yes, exactly.

Let's talk about the overall tax burden. Under budget 2006, is the overall income tax burden for Canadians going down or up?

Mr. Gérard Lalonde: The overall tax burden on Canadians will go down for a combination of reasons, including increases to the basic personal amount, the Canada employment tax credit, and changes to the GST.

Hon. Garth Turner: All right.

Mr. Chairman, I'd submit that the concerns of the other side have been completely met and the overall tax burden is decreasing through a combination of factors in this budget.

We're wasting Canadians' time right now. We should move on with it. You're satisfied, and we're satisfied. Our constituents pay less tax. Let's get on with it.

The Chair: Yes. Mr. Pacetti is next, followed by Mr. Del Mastro and Mr. McCallum.

Mr. Massimo Pacetti: I think there's a bit of a problem here, because there are probably lawyers on the other side and there's an accountant and an economist on this side.

I don't see 16% anywhere in the bill. Again, all we're doing in the bill is increasing the tax rate from 15% to 15.25%, and later on to 15.5%.

My question for the finance officials is this. Where is this proposed employment tax credit? Is it somewhere in the bill?

Mr. Gérard Lalonde: It's not in this bill. It's one of the measures that's proposed to be included in the second budget implementation bill.

Mr. Massimo Pacetti: But you just said it was in the bill and that was—

Mr. Gérard Lalonde: In the budget.

Mr. Massimo Pacetti: Then how can you even say that the effective tax rate is going to go down?

A voice: He didn't. He admitted it's going up.

Mr. Massimo Pacetti: I didn't necessarily want to talk about the employment tax credit, but you decided to talk about the employment tax credit. All we're talking about is the tax rate. In the bill—

Ms. Diane Ablonczy: I know we're all having some partisan fun here, but I wonder, Mr. Chair, whether it's appropriate to drag the officials into this kind of battle. It seems to me the officials should be asked some fairly clear questions but not be used in debate or partisan argument. I think in fairness to them we should maybe leave them out of this.

The Chair: Madam Ablonczy makes a valid point. I think we should endeavour to encourage factual information to emerge from our questions as often as possible with the officials here. We can engage in the partisan rhetoric more effectively with one another, if we so choose.

Mr. Pacetti, to continue.

Mr. Massimo Pacetti: All I'm saying is that we're talking about my amendment. All I'm requesting is that the tax rate that is on page 64, subclause 58(2), proposed paragraph (2)(a), the 15.25%, be reduced to 15%. It's black and white. We didn't address the finance officials; I think the other side did. That's it.

The Chair: Mr. Del Mastro.

Mr. Dean Del Mastro: Again, I think we're lost on the fact that in law the rate is 16%. What we are talking about is reducing the rate in law to 15.5%. And it's part of an overall tax package that means Canadians will pay less tax. Canadians will pay less tax in budget 2006 than in budget 2005, budget 2004, any economic update that ever existed. And what we are asking when we are asking you to support this budget is are you going to support Canadians paying less tax?

This amendment will not support Canadians paying less tax, if implemented, because it would involve changing the budget.

The Chair: Thank you, Mr. Del Mastro.

Mr. McCallum.

Hon. John McCallum: It's really quite simple.

Mr. Del Mastro is correct in saying that the legislated tax rate is going down. Mr. Del Mastro is correct that most Canadians will pay lower tax overall. But neither of those two things is our point.

Our point, as confirmed by the finance official, is that unless we pass this amendment, the lowest income tax rate that Canadians

actually pay will be going up, and we, on this side, are opposed to an increase in that income tax rate.

The second point is that, as Dale Orr stated, many Canadians will in fact be paying more income tax, more total tax overall, as a consequence of this budget. That is absolutely true.

Mr. Orr is a non-partisan economist, and he has calculated that on the basis of what Canadians actually pay, the well-heeled Canadians who live in Mr. Turner's \$800,000 homes will be paying less because they pay so much in GST...because they spend so much they will be paying less.

Those with four-year-old children might be paying less, but there will be many taxpayers at the lower end of the scale, according to Mr. Orr's analysis, who as a consequence of this tax hike will be paying more tax. Therefore, the effect of our amendment is to prevent this income tax rate actually paid by Canadians from going up. Therefore, we would turn a misstatement by the Conservatives into a positive statement—i.e., that all Canadians would be paying less tax.

That would only be the case if this committee passes our amendment. Otherwise, there will be many Canadians who as a consequence of the increase in the income tax rate actually paid will end up paying more tax, and we don't want that to happen.

•(1035)

The Chair: Mr. St-Cyr.

[*Translation*]

Mr. Thierry St-Cyr: I waited a long time before commenting. I thought I'd let the Liberals and Conservatives continue their little show for a few minutes. I think everyone has made their point. Everybody is pretending not to understand what's going on, when in fact everyone does understand. On the one hand, there is the legislated rate, and on the other, what Canadians will actually pay. Similarly, there is income tax, and there is also the overall tax burden. Everyone has made his point. I think we should call the vote on this amendment.

[*English*]

The Chair: Merci, Monsieur.

Mr. St-Cyr sums it up nicely.

Are there any further comments? Can I call the vote?

Mr. Massimo Pacetti: Mr. Chairman, a recorded vote.

The Chair: I have been asked for a recorded vote.

(Amendment negatived: nays 6; yeas 5)

The Chair: The next amendment is L-2.

Mr. Pacetti.

Mr. Massimo Pacetti: You can withdraw that one, because it's a function of the 15%. So 15% of \$36,378 would have been \$5,339, which is no longer applicable.

The Chair: Amendment L-3.

Mr. Pacetti.

Mr. Massimo Pacetti: That's the same thing, it's just a calculation. So we can withdraw that one.

The Chair: Now, I have no number on this next one. Amendment L-4.

Mr. Pacetti.

Mr. Massimo Pacetti: The same thing.

• (1040)

The Chair: Amendment L-5. This could repeat the debate we previously held, I suppose.

Mr. Pacetti.

Mr. Massimo Pacetti: Yes. We can make it a bit simpler. Maybe we can go halfway, since they want to increase the tax rate to 15.25% from 2005 to 2006.

Here we're talking about rates for taxation years after 2006, so perhaps for taxation years after 2006, the committee would reduce the tax rate from.... I think we are now at 15.25%, but the bill states 15.5%, then back down to the normal rate of 15%.

The Chair: Are there any speakers to this? Can I call for the vote? Do you wish a recorded vote? Should I encourage that?

Mr. Massimo Pacetti: Perhaps a friendly amendment. At least we can reduce it to 15.25%, so that we don't see an additional increase two years in a row, because in effect that is what's going to be happening. We're going to go from 15%, to 15.25%, and then 15.5%.

Hon. John McCallum: They could show a little compassion for hard-working, overtaxed Canadians.

A voice: I hate to say it, but it's common sense

The Chair: Are there any other speakers?

Hon. John McKay: A recorded vote.

The Chair: A recorded vote.

What are we voting on? Is it on the 15.25%, the friendly amendment?

Mr. Massimo Pacetti: Since there are no takers for the friendly amendment, we'll leave it at the 15%.

The Chair: Amendment L-5. We'll call for a recorded vote.

(Amendment negatived: nays 6; yeas 5)

The Chair: Amendment L-6.

We move to Mr. Pacetti.

[*Translation*]

Mr. Massimo Pacetti: I think the Conservatives have just done me a favour, since I would be perfectly incapable of explaining amendment L-6. It's intended to increase all the basic amounts laid out in the proposal we tabled in November 2005.

[*English*]

May I take just two seconds? I want to make sure I'm right on this.

The Chair: You may take a moment.

Prior to moving to this amendment, Mr. Pacetti, we'll back up for a second. I understand procedurally we should vote on clauses 58 and 59 prior to dealing with clause 60.

(Clauses 58 and 59 agreed to on division)

The Chair: We will now deal with clause 60.

I'm sorry, Mr. Pacetti. Please proceed.

Mr. Massimo Pacetti: I basically just wanted to amend the amounts that were in clauses 60 and onward. All we're trying to do is bring back the personal rates to the amounts we had.

If you look even at the budget papers on page 218, the basic personal amount is at \$8,648. We just want to increase it, with an additional \$500. I think you can see that with my amendment in subclause 60(1) to proposed paragraph 118(3.1)(a): "for the 2005 taxation year, to be replaced by" the amount of \$500.

That's what's in effect right now, but later on, in proposed paragraphs (b) and (c) of that subsection 118(3), it's just to readjust the base by an additional \$200 and, for 2007, by an additional base of \$100. That was the intent.

The Chair: I'm sorry, Mr. Pacetti. Have you concluded your comments?

Mr. Massimo Pacetti: I just want to see if I can give you the exact amounts, because we're trying to bring the basic personal amounts from the \$8,639 that's proposed in the budget to \$9,039. It would be about a \$400 rise. It's because they've used the average of \$200. It's \$400 divided by two.

The Chair: Mr. McCallum.

Hon. John McCallum: Maybe I could just briefly explain the purpose of this.

The Conservatives have already voted twice just now to raise the taxes of Canadians. The budget in fact reduces the basic personal amount, and as Dale Orr has indicated, the effect of this reduction of the basic personal amount in the budget is to add 200,000 low-income Canadians to the tax rolls.

The budget, through this measure, is adding 200,000 low-income Canadians to the tax rolls, people who would not otherwise pay taxes. All we're doing is changing the personal amount back to where it was before, so that we don't add low-income Canadians to the tax rolls. If they show no compassion to hard-working Canadians, in terms of insisting on raising the rates, maybe they could at least refrain from cutting the basic personal amount, which adds 200,000 low-income Canadians to the tax rolls.

Those are the grounds on which I am asking for support for this amendment.

• (1045)

The Chair: Mr. Del Mastro.

Mr. Dean Del Mastro: Thank you, Mr. Chair.

Mr. McCallum, you'll recall, as we heard from witnesses the other day, that this budget specifically moves an additional 200,000 people entirely off the tax roll. It doesn't add anybody.

No, it doesn't, because there are other measures in the budget that specifically remove a much larger percentage of people—a much greater number of people—off the tax roll entirely than anything that was ever proposed before. We heard finance department officials say exactly that

So what you are in fact indicating is that you dispute what the finance department officials maintained, and in fact you're misleading the public by over 400,000 people.

Yes, you are. We heard that an additional 200,000 people—more than anything that had ever been proposed, including in the latest “budget three” by the Liberals last year—will be removed entirely from the tax rolls.

The Chair: Madam Ablonczy.

Ms. Diane Ablonczy: I think it is an important point to make, because my friend opposite is citing a fellow economist, I'm sure.

I would like to refer the committee to the briefing by the department about tax relief. In the briefing book we all received, there is a chart that shows that every single income group will be paying less tax under budget 2006. These numbers come from the department, and I think we all accept them. This isn't some economist, and I don't know what assumptions Mr. McCallum's friend made, but these are the department's own numbers.

Every single income group in this chart that we've all seen will be paying less tax under budget 2006 than was proposed but not actually implemented or legislated by the previous government. That's a very important point to make.

We can argue about how to get to that point. My friends opposite would like to play with the personal tax rate. We've chosen to put additional measures in place, such as the GST reduction, such as the Canada employment credit, such as a permanent reduction in the lowest personal income tax rate by increasing the basic personal amount. So that is how we've balanced this delivery of lower taxes for all Canadians, and we have done that.

We can have a discussion about whether our balance is better than another proposal, but the fact is that if we move any of these numbers, we lose some other measures. So maybe my friends

opposite want to repeal the reduction in the GST in order to fund their proposal to further increase the personal rate. Maybe they want to cancel the employment tax credit. I don't know what they want to do. The fact of the matter is that if you play with one set of numbers, you lose a proposal on the other side.

I think Canadians are very happy with the tax reduction proposals we've put forward. They are not the same as the Liberals, but we're not the same government as the Liberals. At the end of the day, the important thing is that every single income group of Canadians, including those earning less than \$15,000 a year, will pay less tax under this plan, the Conservative plan, than they would pay under the plan that the Liberals proposed before the last election. That is according to the department's own numbers, and we should not lose sight of that, because that's really the bottom line for Canadians.

• (1050)

The Chair: Thank you, Madam Ablonczy.

Mr. Pacetti, and then Mr. McCallum.

Mr. Massimo Pacetti: I don't want to get into it with Ms. Ablonczy, but apparently in our budget papers—because I'm looking for something else and I'm having a hard enough time with the basic personal amounts—we're dealing with hundreds of thousands of people who are going to be off the payroll. But apparently, in this document, we were taking more people off than in your budget. I can't cite you the appropriate page.

That's why I want to talk about my amendment. The amendment basically is the same. We're going to end up in the same place as where the Conservatives want to end up.

In 2009, we want the basic personal amounts to be \$10,000. All we're talking about here is reinstating the basic personal amounts or the spousal deduction at the amount that was suggested or that was accepted in the ways and means motion in the economic update of November 2005.

Basically, all we're doing is adding \$500 in 2005, an extra \$200 in 2006, \$100 in 2007, \$100 in 2008, and \$300 in 2009. It's basically what there is right now. It's not complicated.

I know the wording seems to be more complicated because they're using \$300, but if you look at page 7, in the middle, (ii), it's \$10,000 in the years after 2009 and just before the year 2010, which is the same amount we're trying to get to, or the Conservatives are trying to get to in 2009, which is a \$10,000 basic personal amount.

The issue is not complicated. I'm just asking for my amendment to be accepted.

The Chair: Thank you, Mr. Pacetti.

Mr. McCallum.

Hon. John McCallum: The basic point is that while I don't dispute those finance numbers in terms of their own definitions, Ms. Ablonczy ought to know that these are based on legislated tax rates, and as I've said before, Canadians living outside the beltway care about what they actually pay. So those numbers showing lower income tax at every income level are based on this convenient fiction that Canadians care about legislated rates rather than actual rates. As the finance officials have confirmed more than once, the actual rates are going up, in which case those numbers are simply wrong.

Mr. Orr has confirmed that for many Canadians the impact of this budget will be to pay more tax than before—overall. He has confirmed that, and nobody in finance—

An hon. member: The chart says different.

Hon. John McCallum: Because that chart is based on legislated rates, which are not the rates that Canadians actually pay. If you base your analysis on rates that Canadians actually pay, then many Canadians will be paying more. That is a fact.

My second and final point is that Mr. Del Mastro is being too modest, because his minister didn't claim 200,000 taken off the tax rolls; he claimed something like 600,000 taken off the tax rolls. So he's being too modest for his side.

The numbers are totally misleading, because again, they're based on this legalism that Canadians don't care about, this concept of the legislated tax rate rather than the basic personal tax rate that Canadians actually pay. If you base it on the actual basic personal amount, the effect of this budget is to reduce the basic personal amount, thereby adding 200,000 Canadians to the tax roll.

The only way we can stop this addition of 200,000 Canadians to the tax roll is to pass this amendment. It's really as simple as that. And once we agree on the terms of the debate, I think we'll agree on what the true implications are.

The Chair: I have heard considerable counsel. I wonder if we could proceed to the vote at this point.

Mr. Pacetti.

Mr. Massimo Pacetti: Mr. Chairman, I just want to put this on record because of the complexity of this amended clause, which I would have preferred to have done piecemeal.

If we continue, at the bottom of page 2, we go on to amend the personal amounts in respect to a spouse or common law partner. Again, we're ending up in the same place at the end of 2009, for \$8,500.

If we look at what I'm proposing, you'll see in the middle of page 9, it's \$8,500. Again, it's for taxation in 2009. This clause just brings back the basic personal amount and the personal amount in respect of a spouse or a common law partner, which is the same as what the Conservatives are proposing; it's just at a different rate. It's to avoid the increase in tax rates again.

• (1055)

The Chair: Thank you, Mr. Pacetti.

Does the committee wish to move to the vote?

Hon. John McCallum: I have one last question.

The Chair: Well, Mr. Del Mastro is ahead of you then, and we're going to proceed with discussion. Either we're moving to a vote or we're going to continue the discussion.

Shall we call for the question?

We'll have a recorded vote, then. Please proceed.

(Amendment negatived: nays 6; yeas 5) [See *Minutes of Proceedings*]

(Clause 60 agreed to on division)

(Clauses 61 to 192 inclusive agreed to on division)

(On clause 193—*Mortgage or hypothec insurance protection agreement*)

The Chair: We move now to the next amendment, which is from Madam Wasylycia-Leis, I believe, and it is marked NDP-1.

Madam Wasylycia-Leis, please proceed.

Ms. Judy Wasylycia-Leis (Winnipeg North, NDP): Thank you.

Let me make a couple of introductory remarks for both the NDP-1 and NDP-2 amendments. I'm really hoping that my colleagues from all sides around the table will give these amendments serious consideration.

They have to do with mortgage insurance, and they acknowledge that the government has decided to open up mortgage insurance to private competitors. They are an attempt to reflect some of the concerns we heard from individuals who were supportive of the open process but wanted to see some guarantees put in place. They are a serious attempt to put some oversight into the process and to actually establish some clarity around the criteria being used vis-à-vis private mortgage insurance.

So I'm really hoping that there will be some serious debate and consideration of these items. I don't think they detract the government at all from their agenda. I think they're helpful in terms of what people like the home builders and the Real Estate Association, Desjardins, and of course some of the housing coalition folks said on Monday.

I'll describe both amendments, Mr. Chairperson. On the first one, if you turn to page 167 in your book for the bill, and turn to clause 193, we propose to add subclause 193.(1.1), which would simply say that despite subclause 193.(1), the Minister of Finance may not enter into any agreement or selection of a person that does not meet the applicable selection criteria prescribed by regulation.

This basically is recognizing that the government will want to in fact look at criteria under the regulations to ensure some sort of standard of equality is in place. That addresses the concern that folks had about the possibility of some mortgage insurers wanting to play the market and choose areas and deny other areas of need.

So it's just an attempt to try to get some measure of equality introduced into the process so that government can then judge and look at the outcome and make decisions subsequent to that, pursuant to the opening up of mortgage insurance to others besides CMHC and Genworth.

Then you go to the second part of that amendment. It adds on page 168, at clause 194, a fourth category, and it is the selection criteria that persons may or may not use to sell mortgage or hypotech insurance.

So it basically provides for specific standards governing the relationship between insurer and lender as a possibility. It allows for the government to look at the possibility of ratios of high to lower risk clients as part of the criteria, and it simply recognizes that there are some regulations now that can be added to. This amendment makes that possible.

Then I'll go to the last amendment, which is also on page 168, in clause 193. After subclause 193.(5) it adds all of these words—

• (1100)

The Chair: Madam Wasylycia-Leis, are you going to discuss the second amendment now?

Ms. Judy Wasylycia-Leis: I threw them all out as a package to start with.

The Chair: Okay. Proceed.

Ms. Judy Wasylycia-Leis: Just so you have an understanding, they are a package because it's an attempt to simply give the government the latitude to be able to oversee this area, to put in place criteria through the existing regulation process that will help measure outcomes and provide some way to ensure equality of access by region and by income strata.

The last amendment reflects a need we heard during the panel discussions for some sort of accountability on the part of the minister and the government to Parliament in terms of the public policy performance of mortgage insurers. It allows for tracking of acceptance and denial of insurance by geographic or demographic area, which will facilitate at least the beginning of an analysis of the delivery of services, and that is really absent at the present time. Hopefully it will improve in quality through the use of more sophisticated tools as we progress and as time goes by.

We can look at other models out there that might be a guide for the government in applying these amendments. I looked specifically at the U.S. Home Mortgage Disclosure Act; that was very useful, because they put in place some very specific amendments to try to

protect against discriminatory behaviour on the part of mortgage insurers. It would make it possible for Canada to monitor mortgage delivery and the role of mortgage insurance so that we could modify and fine-tune our own system to better serve Canadians. As many know, the American reporting requirements are much more stringent than those in Canada.

In conclusion, through this whole process, if the government and the applicants who are going to apply for a part of this mortgage insurance piece are truly committed to competition, which I accept—and as I said yesterday, I'm not opposed to competition; I just want some guarantees and oversight—then I think we have to let them compete as socially responsible providers through their performance as reported against public policy criteria, and that's all these amendments attempt to do.

I hope you'll seriously consider them both, and although I've spoken to both of them, I realize you now have to go back to the first one and take them one by one.

Thank you, Mr. Chair.

The Chair: Thank you.

Mr. Savage is next.

Mr. Michael Savage (Dartmouth—Cole Harbour, Lib.): Thank you, Mr. Chair.

I understand the concerns Ms. Wasylycia-Leis has laid out, and she has certainly argued them in this last week.

I'm not 100% sure what all this means. I'm wondering if there are any officials here who could give us an opinion as to what this would actually mean.

• (1105)

The Chair: Gerry, please proceed.

Mr. Gerry Salembier (Director, Financial Sector Policy Branch, Department of Finance): Thank you, Mr. Chair.

I'll just take the first amendment, if we're discussing the first one first.

This amendment, as I see it, would have a regulator or a policy-maker stepping into business decision-making in the sense of determining to whom a particular product should be sold, the conditions under which it would be sold, and the location where it would be sold. At present we leave those decisions to business decision-making. We don't, at this point, try to dictate the design of a mortgage insurance product or try to specify to whom it should be sold.

I would suggest that if we head in the direction of setting criteria, as suggested in the amendment, it is actually quite a slippery slope to go down. That's not, generally speaking, the function the regulatory framework tries to perform.

Mr. Michael Savage: There is no regulatory body now. This would require a new regulatory body—is that what you're saying?

Mr. Gerry Salembier: It is certainly not a function that is now performed by a regulatory body. It's really business decision-making that determines to whom the products are sold.

The sector is regulated. The Superintendent of Financial Institutions regulates the risk of mortgage insurers. Since insurance is a shared jurisdiction, provincial governments regulate market conduct of insurance companies, including mortgage insurers; the committee heard testimony about certain practices that are prohibited under provincial law. There are disclosure requirements in federal law that require charges and fees to be made known to people purchasing insurance products. As well, of course, we have the Competition Act, which deals with any anti-competitive practices that may be occurring in this sector or in any other sector.

Mr. Michael Savage: I would maybe then ask Judy. Is that your view as well, Judy, that we'd have to set up a new regulatory agency to do this?

Ms. Judy Wasylycia-Leis: There are regulations now. This adds to the regulations and it adds the new function to existing government capacity. I don't think it's a revolutionary concept. It doesn't cause any upheaval; it simply adds a dimension to the process. It's necessary now, because up until this moment the bulk of the mortgage insurance has been carried by CMHC, from the point of view of certain public policy principles. So by opening it up, one could make the assumption that private mortgage insurers will put the public policy first. And many we heard from said by all means, they will.

All we're saying is let's be sure. Let's give government the capacity to check for that. If there's a problem, then we can take action. But do not leave it open and only say it's a business decision when in fact we're talking about fulfilling a public policy issue.

Remember, we're not talking about broad mortgage insurance. We're talking about mortgage insurance that's required because people don't have enough to put as a down payment. So we're talking about low-income Canadians, about people wanting to be homeowners but not having the means, and trying to make it possible.

I think if the government wants to go down this path, it has to marry the business objectives with some form of public policy criteria.

The Chair: Okay. We have several members who would like to speak. We'll begin with Mr. McKay, Mr. Turner, then Mr. Del Mastro.

Hon. John McKay: Mr. Salembier, currently the market is about 70% CMHC and 30% Genworth. We've agreed that there are now to be more entrants. So the reasonable expectation is that those entrants would eat into CMHC's share in particular, but to a lesser extent into Genworth because Genworth will compete, as will CMHC. Therefore, in terms of competition, the greater likelihood is that the competition will be in the more lucrative end of the market, the more—how shall we say—creditworthy risk.

Is there, in these amendments or in current regulation, anything that would prevent the perverse consequence of CHMC effectively ending up with the dogs of mortgage insurance?

•(1110)

Mr. Gerry Salembier: Thank you for the question and for the opportunity to respond.

First, I would say that CMHC's mandate as set out under the National Housing Act would not be affected by this provision. In fact, the market has long been open to new entry. CMHC does provide mortgage insurance in all parts of Canada, including in the north, on reserve, rural, single-industry towns, and so on. In fact, a very significant proportion of CMHC's business now is in markets that are not served by the only existing private mortgage insurer.

I would not necessarily accept the presumption, the basis of your question, that the new entrants would necessarily eat into the market share of CMHC or Genworth. That's something that will be a function of the new products and pricing that the new entrants bring to the market. Moreover, I'm not sure that it's safe to say as well that new entrants would necessarily only go for the less risky mortgages. At least some of the new entrants who have testified before the committee and who we've been dealing with in our regular day-to-day work have actually targeted the so-called near prime segments of the market; that is, the higher risk, the lower credit scorers who currently are not eligible for mortgage insurance. Some of the new entrants are targeting that slice of the market.

Hon. John McKay: When an entrant tries to get into the market, they'll say almost anything, particularly to regulatory officials. They'll say they're intending to target near-prime or however you want to describe it. But is there any obligation on the part of any of those new entrants to in fact expand the mortgage insurance pool so that more people would be entitled?

The second point, going to your CMHC issue.... CMHC is still going to be under some sort of mandate and obligation to provide the less creditworthy risk. But you would have to think that the lucrative part of its business is exposed, the consequence of which would be the reduction in dividend that it gives to the Government of Canada. Have you done any analysis as to what the reduction in revenues might actually be?

Mr. Gerry Salembier: Let me take the first question, on whether or not there's a likelihood that the wool has been pulled over my eyes in the discussions I've had with new entrants.

Of course that's always possible. However, new entrants have to get an approval from the Superintendent of Financial Institutions. There's an exhaustive process they have to follow in order to get that approval. It includes the submission of a detailed business plan and an assessment of the risks the business plan would pose.

A new entrant that proposes to target the lower credit scores and the higher-risk market would have to flag that in the application to the superintendent. The superintendent would take that into account when making a recommendation to the Minister of Finance for the approval of the incorporation of that new entry into the mortgage insurance market.

You asked as well whether there's an obligation—

The Chair: I'm sorry, Mr. Salembier, but I'd like to clarify this. OSFI's obligation is solely as a prudential regulator. Is this correct? Their analysis of the applicants would be confined to that aspect of the companies' proposals, would it not?

Mr. Gerry Salembier: Yes, although I would note that it might be relevant in this connection, Mr. Chairman, but that's for you to determine. I would note that as part of OSFI's risk assessment, they do an assessment of the reputational risk that any provider in this segment of the financial sector or others may face.

If there is a range of practices that a mortgage insurer is engaging in that is unsavoury in some way and affects its reputation, it could play into the ongoing monitoring by OSFI. It is true that market conduct is generally the domain of the provinces and not the federal government, insofar as insurance is concerned, but OSFI has that reputational risk function to perform as well.

The Chair: To be clear, reputational risk is an interesting concept. We could get into the definitions, but can I be assured that the evaluation of reputational risk does not include the ability of the company to pursue all markets?

It seems to me the gist of the amendments that Madam Wasylycia-Leis is putting forward is to in some way try to regulate and ensure through regulation that the availability of mortgage insurance would not be confined to certain aspects of the market, but product availability would somehow be guaranteed through regulation.

I want to be clear that reputational analysis does not include in any way, shape, or form an analysis of the company's ability to provide mortgage insurance to all applicants. Is that correct? In other words, there is no OSFI obligation to predetermine that mortgage insurance companies are going to make their products available to all Canadians in every region of the country at every socio-economic strand. Is that correct?

• (1115)

Mr. Gerry Salembier: That is absolutely correct. It's not the function of the regulator to determine who the mortgage insurance will be provided to. It's a business decision. There will be no obligation to expand.

The Chair: Correct. Okay.

Mr. McKay, do you have any follow-up? Mr. Turner has asked to put a question now.

Hon. John McKay: The analogy that I would draw would be to motor vehicle insurance. We had a bit of a fuss a few years ago, where difficulties arose. Frankly, people couldn't get insurance and they couldn't get business insurance. There are a variety of reasons for that.

What in this proposal can give us any assurance that this kind of market activity and the interaction of the regulators provincially and federally would not result in that rather perverse consequence?

Mr. Gerry Salembier: I think the basic answer to your question, Mr. McKay, is that in this area of mortgage insurance, we have a public sector provider. It is in CMHC's mandate to serve markets that may not be served by the private sector insurers. I think that where public policy in this area deals with the access to mortgage insurance is through the mandate of the public provider.

I think perhaps I'll leave it at that.

The Chair: Members, if you have other questions, of course another opportunity will present itself.

Mr. Turner, please.

Hon. Garth Turner: I'll quickly say I'm troubled by a couple of aspects of this amendment. First, we have existing competition from the private sector. Genworth has approximately 30% of market share; no one has suggested that we try to track all of Genworth's business up to this point, and the market has been operating effectively. While you all know I had concerns about the increasing of competition in the marketplace, I don't think this tracking of private business decisions is really in anyone's interest.

Second, I'm concerned about the additional regulatory burden this will place on government and the cost it will involve.

Third is CMHC. We heard Karen Kinsley say that the real threat to CMHC is they end up with all the dogs, in terms of mortgage insurance, and I don't want any provision that's going to actually increase that.

Mortgage insurance is not a right; it's a privilege. It's like every other insurance product; you have to qualify for it. If you don't qualify for it, there's a reason, and the reason is usually that you're a bad credit risk and therefore don't qualify for insurance. It's not a right, and this particular amendment makes it appear as if providing mortgage insurance is a right.

I can just see the thin edge of the wedge here coming back to say that a certain provider who did not provide mortgage insurance to a certain client in a certain area is all of a sudden facing regulatory scrutiny, and I don't think that's the intent of what we're doing at all.

The Chair: Mr. Del Mastro.

Mr. Dean Del Mastro: I agree with what Mr. Turner just indicated.

I also would like to add, perhaps to dispel some of Mrs. Wasylycia-Leis' fears, that in over a decade of retail finance, I have never seen a new competitor's entry into the market result in more difficult criteria to qualify for financing. It's always gone the other way. In fact, what happens when people are competing for market share is that they buy what we call in financing "deep", which means they buy deals that otherwise weren't getting bought. New entrants tend to also be termed "hot buyers", which means they approve things that otherwise were not getting approved, which means that people with shorter job tenure, worse credit ratings, and higher debt-to-service ratios are suddenly being approved. It is a good thing, particularly for low-income Canadians, that we would have this type of entrant into the market, after having qualified under very stiff criteria.

There are only positives for Canadian purchasers. We heard the financial institutions indicate these savings would be passed on to the purchasers. I think it's all positives.

I understand the intent of what you are putting forward; I just think the market will actually accomplish exactly what you're looking for, all on its own. That's basic competition.

• (1120)

The Chair: Thank you, colleagues, for your comments.

I'll let Madam Wasylycia-Leis sum up, if she would.

Ms. Judy Wasylycia-Leis: Thank you very much.

I appreciate the chance to discuss this. I disagree with many of the sentiments of the responses, both from the officials and from my Conservative colleagues.

I think you have to look at it this way. CMHC now has 70%, Genworth has 30%. We're opening it up. As we heard yesterday from officials, it's not that CMHC is going to hold onto the 70% and the competition's going to take place in the 30%; it's wide open. In fact CMHC's share over this whole area will obviously drop.

I don't think the department can have it both ways: on the one hand say that these new people coming in are genuine and they're prepared to go into near-prime or high-risk areas, and on the other hand then say it's CMHC's duty and responsibility—they don't lose anything in terms of their public policy mandate, and it's their duty to serve the high-risk market, as you just said. You can't have it both ways. You can't say it's the duty of CMHC to do that, and then take away most of their ability to do that. They shouldn't be left having to cover this country in terms of all the high-risk areas, the remote communities, the needy communities.

If it is true that competition is good and we're not going to lose anything, then surely there's nothing to be lost by putting in place some protection, some guarantees to ensure that, and not just do it on the basis of reputation.

I don't think government would, and certainly these Conservatives wouldn't do this in any other area. You wouldn't say, "Trust me"; you wouldn't say, "I believe what you say, and we're not going to put in place some accountability measures". I thought the Conservatives were fairly strong about making sure there is no room in government and in opening up opportunities for business for graft, corruption, or greed.

I trust many of these people. I've met them all, but I think we should be good parliamentarians and operate on the basis of a good policy framework that has some protection built in. I don't think we can ignore the realities. Mr. Del Mastro says he believes every time new financial players come onto the market it betters all of us. Well, I don't know where he's living; maybe it's in a certain affluent neighbourhood. He needs to look at—

A voice: He lives in Peterborough.

Ms. Judy Wasylycia-Leis: Well, I don't know where.

A voice: I've never heard of Peterborough referred to as such.

Ms. Judy Wasylycia-Leis: I don't even know where your riding is; all I know is that there are communities that have been left high and dry by mortgage companies, by lenders. Inner-city, old northern neighbourhoods like my own are often red-circled, so people who would make the criteria John McCallum talks about may not have access to someone to do it. If CMHC's role is greatly reduced, they won't have the capacity to do it.

The United States took action in this regard, it's precisely the reason we have concerns in Canada—it's that you end up with certain neighbourhoods where there's just no access to these services. Whether it's in the area of getting a mortgage to begin with.... And now it's the double thing: you can get one if you can put 25% down, and if you can't put 25% down, you need mortgage insurance, but you can't get access to mortgage insurance.

So all we're trying to say is let's not take away the hope, the possibility of owning your own home if you qualify, if you meet all the criteria. We're not saying let's make it harder to do business; we're saying let's just simply try to track, let's try to be responsible decision-makers. Let's not just say let the jungle prevail, because sometimes people get hurt, and sometimes there are inequities, and sometimes we have to be ready to take action.

We're creating a system where we won't be able to take action, we won't be able to do anything once the problems emerge. I think that's absolutely irresponsible. So I'll just plead with members to put something in place in this area.

I'm not saying let's not do it. I'll believe that competition will benefit, but I haven't seen it a lot. I haven't seen it in telephones, in Air Canada, in—

An hon. member: Fewer banks would be better.

•(1125)

Ms. Judy Wasylcia-Leis: My colleague mentioned the issue about banks. I don't know if he heard the point yesterday when we had the presenters. Banks were sitting here saying, trust.... The banks are the perfect example. They sit here and say....

The Chair: Thank you.

Ms. Judy Wasylcia-Leis: Okay, let me finish my statement and I'll conclude, if I can get Mr. Del Mastro's attention.

In fact this is a good example of why we need the protections in mortgage insurance. The banks sit here and say, "Don't worry, we'll make sure that no areas are left unaddressed and that there are no inequities". They sit here, having totally left abandoned many communities—rural communities, inner-city communities. I have a good example. I'll tell you, in eight years, we lost every single bank branch in the entire north end of Winnipeg.

The Chair: A point of order, Mr. Turner.

Hon. Garth Turner: We're way off topic here, and we all have limited time. So we're not just debating about bank competition at the moment; we're talking about mortgage insurance. I know it's a simile and a comparative, but you've made your point quite clear. I think we should get on to a vote, please.

The Chair: Thank you, Mr. Turner.

Mr. Turner has a point, Madam Wasylcia-Leis. I'd like you to get to your summation now.

Ms. Judy Wasylcia-Leis: I will. I only mentioned banks, because it was some of my colleagues—

The Chair: That's fine. Please proceed.

Ms. Judy Wasylcia-Leis: —who threw out the word "banks" as an example of where communities are all protected and that there is equality. If anybody thinks that, we're dreaming.

Let me add one more point, and that has to do with your point, Mr. Chairperson, on the Superintendent of Financial Institutions.

I just sat through a committee hearing with the superintendent, and I tried, on a whole set of issues, to ask for some comment, whether we're talking about payday lenders, or income trusts, or banking, on some serious problems in terms of competition, in terms of access, in terms of equality. Each and every time, the superintendent said, "That is not my field; that is not my area. Don't forget the word "prudential". If I teach you anything it's the word 'prudential'."

In other words, the Office of the Superintendent of Financial Institutions does not do what you said. That is erroneous; that is not correct. They simply look at it from the point of view of a business decision.

I can't believe that you're going to try to create the impression with this committee, on record, that the Office of the Superintendent of Financial Institutions is going to somehow play a key role in ensuring that all of these mortgage lenders coming onto the scene are not only going to have a good, sound business plan, but they're also going to be worried about all regions and groups in this country, regardless of profitability. I think that's exactly why these amendments are here, and you're not doing a very good service. This government is not playing a responsible role, as it said it would

before the election and during the election, around accountability, transparency, and openness. I think it's a big mistake not to do something.

These might not be the perfect amendments, but I'm surprised, Mr. Turner. You opened up this issue—

The Chair: May I have order, please.

Madam, direct your comments through the chair.

•(1130)

Ms. Judy Wasylcia-Leis: Sorry, Mr. Chairperson.

I'm surprised that Mr. Turner, who responsibly opened up this area for our attention and immediately backed off.... I don't suggest we look at giving special privileges to Genworth. I think Genworth should be part of this whole package of oversight, as well. I don't know what suddenly happened in the last few days to suggest that there is no problem in terms of competition.

The Chair: A point of order, Mr. McCallum.

Hon. John McCallum: A long time ago Mr. Garth Turner intervened, and you said it was coming to an end. Can I move that we vote?

The Chair: I'm reluctant to continue this debate; however, I'm also reluctant to suspend members' ability to communicate their points, regardless of whether we find validity in the presentations or not.

I'll ask again, Madam Wasylcia-Leis, perhaps you could work towards a conclusion rather promptly. I think there's a strong sense among your colleagues that we're ready for a vote at this point.

Ms. Judy Wasylcia-Leis: I'll just conclude by suggesting that this is a reasonable proposition. It will not affect business and competition. It will not make it more difficult to do business. We had some of the folks who were here themselves say they would like to see some of these criteria built in. We had a clear statement from Desjardins; we had a clear statement from home builders; we had a clear statement from real estate.

I didn't hear one of the potential mortgage insurance companies jump in and say, "We couldn't handle that." I don't think there would be any opposition to some rational process for ensuring that there was a way to collect data, to oversee the process, and to ensure some equality across a region and income group.

I would just finally conclude by saying that often we think we're far ahead of the United States in this country. Well, in this case, they've had no trouble in the country to the south of us realizing the importance of collecting data regarding loan originations, applications, and loan purchases. They've had no trouble collecting information on the basis of ethnicity, race, gender, and gross income. That has been an important part of their attempt to ensure responsible, accountable, open mortgage disclosure systems in that country.

I think we could at least do that here in Canada.

The Chair: Thank you, Madam.

I'll call for the vote now.

Do you wish a recorded vote?

I'm told that procedurally, on your page marked "NDP-1", we have to divide it after section (b) into two, because it deals with two separate clauses.

With your indulgence, we will call it "NDP-3", under section (d) and what follows on that page. We'll call it "NDP-3", and I will take your vote on this to be for or against both NDP-1 and NDP-3.

Is that fair enough?

A recorded vote was called for. We'll proceed.

(Amendments negatived: nays 9; yeas 2) [See *Minutes of Proceedings*]

The Chair: We will take NDP-1 and NDP-3 as defeated, for clarification. Now we will vote on NDP-2.

Do you wish a recorded vote again, colleagues, or can we apply the vote from the first?

Hon. John McKay: I'll support that vote.

The Chair: We'll go with a recorded vote again, just for simplicity.

(Amendment negatived: nays 8; yeas 3) [See *Minutes of Proceedings*]

The Chair: Shall clause 193 pass?

On a point of order, Mr. Pacetti.

Mr. Massimo Pacetti: I just want to put on the record the question regarding removing the number of Canadians from the tax rolls and what I had said earlier. In the economic update, I found this on page 131. We had stated in the economic update that we'd remove 500,000 Canadians from the tax rolls. That would go up to 860,000,

and that's the difference. In the Conservative budget papers it's 655,000, but that's over a two-year period.

• (1135)

The Chair: That's not a point of order, as you well know.

(Clause 193 agreed to)

(Clauses 194 to 217 inclusive agreed to on division)

(Schedule 1 agreed to on division)

(Schedule 2 agreed to on division)

The Chair: Shall the short title carry?

Some hon. members: Agreed.

An hon. member: On division.

The Chair: Shall the title carry?

Some hon. members: Agreed.

The Chair: Shall the bill carry?

An hon. member: On division.

Some hon. members: Agreed.

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

Some hon. members: Agreed.

An hon. member: No.

The Chair: Thank you, colleagues.

I remind you that there will be a steering committee meeting on Monday at 3:30. We will proceed with some discussion next week on the pre-budget consultation, so wrap yourselves around your ideas on that. I will be very excited to hear what you have to say.

Have a great weekend.

We're adjourned.

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