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# **Standing Committee on Government Operations and Estimates**

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**EVIDENCE**

**Tuesday, February 13, 2007**

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**Chair**

**The Honourable Diane Marleau**

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## Standing Committee on Government Operations and Estimates

Tuesday, February 13, 2007

• (1530)

[English]

**The Chair (Hon. Diane Marleau (Sudbury, Lib.)):** I see we have most of our members, if not all of them.

I am going to welcome Mr. Bennett as the president of the Royal Canadian Mint. He has been there all of seven months, so he has vast experience. Mr. Bennett and I know each other from past lives, and I want to give him a good welcome to the committee.

As you know, we give you time to make a presentation. Before that, would you please introduce the people with you, Mr. Bennett?

**Mr. Ian E. Bennett (President and Chief Executive Officer, Royal Canadian Mint):** Thank you very much, Madam Chairman.

I have with me Richard Neville, who is our chief financial officer and known to a number of people on the committee as well, as well as Marguerite Nadeau, who is our vice-president and general counsel at the Royal Canadian Mint.

[Translation]

Welcome, everyone. Madam Chair, and Honourable Members, thank you for the opportunity to appear before you today. It is truly a privilege to be here and speak on behalf of a unique and world-class organization such as the Royal Canadian Mint.

Ladies and gentlemen, I am no stranger to parliamentary committees. However, this is a first for me since my appointment last June as President and CEO of the Royal Canadian Mint. It is an appointment that I welcomed and I can tell you that I have not had one second of regret or hesitation since taking on this important and challenging responsibility.

[English]

As a former Deputy Minister of Finance, I came to the Mint somewhat familiar with the role it plays in our country's finances. Allow me, if you will, to provide a brief overview of the Royal Canadian Mint.

The Mint, as many around the table know, is a commercial crown corporation mandated to make a profit for its shareholder, the Government of Canada. Its most significant business is the production and distribution of circulation coins for Canada. Over the years, the Mint has developed and patented various innovative technologies, which include the manufacturing of coins that are of high quality yet use minimal amounts of costly metals such as copper and nickel, significantly reducing the cost of manufacturing and allowing for a greater return to the Government of Canada.

We also operate three other business lines: foreign circulation, Canadian numismatics or collector coins, and bullion products and refinery. Although our mandate is primarily to produce coins for Canada, part of our revenues are generated outside the country from the production of foreign circulation coins for central banks and foreign governments. Our plated technology has opened doors for the Royal Canadian Mint on the international scene by offering central banks a cost-effective alternative to very expensive alloy coins. We have seen the shift occur with the recent decision by New Zealand to change all their coins to our technology and in the process save millions of dollars.

I visited some of our customers, and I can say with great confidence that we enjoy an outstanding reputation internationally. We also produce and sell collector coins in Canada and abroad. Our coin designs celebrate Canada's culture, history, achievements, and values. We enjoy a strong reputation for quality and craftsmanship.

Finally, the Mint produces and markets a family of gold, silver, and palladium investment-grade products and operates a refinery that offers processing, refining, assaying, and secure storage of gold and silver.

The past few months have been truly an eye opener for me as I was introduced to the Mint's operations and met the employees. My initial impressions have been overwhelmingly positive. I have been struck by the level of professionalism and collective purpose. There is a sense of pride in the Mint's accomplishments and a strong identification with an organization that is so fundamentally linked to some of our most powerful and evocative symbols, some would even say icons of our nation and its identity.

I've been fascinated by the intricacies and the nuances of the fiercely competitive international minting market. I've been impressed by the leadership and business acumen of those who maintain the Royal Canadian Mint's leading position within that market. Above all, I can assure you it is a well-disciplined, highly motivated, and successful team with a winning attitude.

So you may ask, what do I bring to this team? Perhaps I should share with you what I told employees at a series of town hall meetings held last summer.

• (1535)

[Translation]

My vision for the Mint come down to three things. First, we want to maintain profitable growth, returning a profit to our shareholder, the Government of Canada, by introducing initiatives designed to stimulate top-line revenues, manage costs and grow our profits. Second, we want to maintain our international reputation for leadership, innovation and quality. Third, we want to remain an employer of choice. I am extremely proud of the fact that we were listed as one of Canada's top 100 employers in 2006 by Maclean's Magazine and intend to keep us on that list.

[English]

When I first met with employees, many of them asked about my management style. I told them the following: that I value the experience, wisdom, and views of others; that I believe in being open, clear, and direct about shared expectations and goals; that I am not a change management guru. Put simply, I'm a graduate of the school that teaches the fundamental axiom of good management, which is, if it isn't broken, don't fix it. I expect transparency, and above all, accountability. I also told them that while I encourage open, lively debate on the issues, the ultimate responsibility for decisions is mine. These are the principles that will guide my actions and decisions and they are what I bring and offer to the people of the Mint.

[Translation]

Yet, that responsibility and duty is made more pleasant when one has good news to share.

Honourable Members, as guardians of the public purse, I know you will be pleased to hear that for the third year in a row, the Mint will be reporting double digit profits.

Madam Chair, I invite all members of this Committee to read the good news stories contained in our Annual Report, when tabled by our Minister later this spring.

So this is further testament to the outstanding team that I have the honour and privilege to lead.

[English]

However, I would be shirking in my duty if I did not address issues that have been of concern and perhaps speak to the mandate of this committee.

Accountability and responsibility are two principles and concepts that go to the very heart of our society, our government, and the basic notion of how we view ourselves. Needless to say, they have been quite topical of late, and continue to be an important element of the public agenda. To maintain the Mint's competitiveness and credibility, we must continue to improve ways through which we demonstrate accountability and embrace the responsibility to become even more efficient in our business practices. We are doing that.

Is there room for improvement? You bet there is—there always is. We will shortly receive an independent report that will recommend a number of ways through which the Mint can improve efficiencies and realize considerable savings. In regard to increased accountability and transparency, we are linking strategies to the corporate

objectives and we are developing better performance indicators. Starting in 2007, we will post on our website the travel and hospitality expenses of our board and senior managers on a quarterly basis. Such actions will only serve to further solidify the Mint's reputation as an efficient, accountable, and successful enterprise, which is fully transparent to the ultimate shareholder, the Canadian taxpayer.

Through you, honourable members, I would like to assure Canadians that the Royal Canadian Mint has been built upon a proud past and is today a modern, sophisticated, and dynamic business that successfully combines art with technology. Its record, accomplishments, products, and, most important of all, its people should be a source of pride to Canadians.

• (1540)

[Translation]

On that note, I would like to take advantage of this occasion and put my marketing hat on and present to you the Mint's 2010 Olympic Coin Program which I had the honour to unveil late last month.

I know you will join me in acknowledging their beauty and the sheer artistry that has created them.

It is the most ambitious circulation coin program ever conceived and undertaken by the Mint. It will feature no less than 17 circulation coins and 36 beautifully crafted collector coins and products.

[English]

In closing, please accept a personal invitation to come and visit our operations and our team. Unfortunately, I must advise you, though, that unlike chocolate factories and brewery tours, there are no free samples.

Thank you. I'd be more than happy to answer any questions you may have.

[Translation]

Thank you, madam.

[English]

**The Chair:** Mr. Wrzesnewskyj, for seven minutes.

**Mr. Borys Wrzesnewskyj (Etobicoke Centre, Lib.):** Thank you, Madam Chair.

Thank you, Mr. Bennett, for that report.

Mr. Bennett, I'm taking a look at some of your numbers, and I notice that between 2004 and 2005 there is a 37.5% drop in profitability as a percentage of revenues. Would you like to comment on that?

**Mr. Ian E. Bennett:** Thank you, sir.

I think it goes to a broader problem that we've identified at the Mint. It is true that our revenues are growing considerably, and we indeed expect them to continue to grow in 2007. The problem we have identified is that our costs are also growing, and they're growing faster. As a result, we find our profits are not growing nearly as rapidly as they should, as indicated by the revenue flows.

It is for that reason I referred in my remarks to the fact that we have engaged outside consultants. We also asked ourselves how we could go about better controlling our costs.

The work is under way. It's going to take a year, and we're going to go through this process for the whole year. We'll make some early changes to reduce costs and change the way in which we produce our product so as to better control costs.

But it's certainly an objective of ours to continue to have the corporation grow but have profitable growth.

**Mr. Borys Wrzesnewskyj:** From that I can assume, at this present time, there are no numeric targets. We have a table here with estimates. Have you set targets for the crown corporation, or are you waiting for this outside report?

**Mr. Ian E. Bennett:** No, we've set targets for the crown corporation.

**Mr. Borys Wrzesnewskyj:** Could those be made available to us?

**Mr. Ian E. Bennett:** Yes. Every year we prepare a corporate plan that is mandated under the Financial Administration Act. Within that corporate plan, it provides for five-year forecasts. The credibility of the forecast diminishes with time, as all forecasts do, but it will have targets for 2007, 2008, and through to 2011.

The papers I distributed to the committee last night have a table that was extracted from last year's corporate plan, which had the corporate plan for five years, 2006 to 2010. Next month, in March, the minister will present to the House a summary of the corporate plan for 2007 to 2011.

**Mr. Borys Wrzesnewskyj:** You referenced an announcement that's coming on profitability. It's in the double digits, in terms of millions, I assume. But when I look at the particular table for 2004, you had a bottom-line profitability of 3.2%, which dropped to 2%; a forecast to 2.1% for 2006, which was a pretty minimal improvement; and then in 2007, it dropped back down to 1.95%. Those are pretty tight margins, and they seem to be on a downward trend.

You've produced a pretty optimistic report here. Does it worry you somewhat that the trends are in the wrong direction?

• (1545)

**Mr. Ian E. Bennett:** It does. It's for that reason that at one of the first town hall meetings I had with employees, I heard praise on the growth that we had in our revenues, but there was a challenge to the corporation, me and the employees, to have more profitable growth.

I quite agree with you that we have to translate the growth in sales to a growth in the bottom line.

**Mr. Borys Wrzesnewskyj:** Once again, have you done analysis on these numbers we've been provided with? They're pretty thin.

In looking at this, you have a 48% increase in marketing and sales costs in 2005 or 2004 and a projected 60% increase in administrative

costs for 2006 over 2005, which will go up to an 86% increase in 2007, if we compare it to 2004. All the costs seem to be a significant trend in the wrong direction.

I know you're relatively new at the Mint, but it's not a huge operation. Are there numeric breakdowns in those various departments you could provide us with so that we'd have a better handle on what is causing the trend lines to move in the wrong direction?

**Mr. Ian E. Bennett:** I'd be happy to do that. I'd be happy as well, once we have the corporate plan tabled in the House for the next five years, to come back to the committee and go over the projections as we now see them, plus the changes we are going to incorporate into our estimates of costs as a result of the changes we plan to make to reduce costs.

**Mr. Borys Wrzesnewskyj:** I also notice there's a huge increase in inventories. Is there a particular reason for that? Is it due to Olympic coins being produced and inventorized?

**Mr. Ian E. Bennett:** The increase is largely explained by the big increase in the inventories of Canadian circulation coinage. There's been a very significant increase and demand for circulation coins in the Canadian economy—unexpected by most observers, but still it's there. To maintain supply to the economy as those coins are demanded by financial institutions, we've had to increase our inventory of them.

**Mr. Borys Wrzesnewskyj:** I have a final question.

I also notice that your capital expenditures average around \$5 million to \$7 million in previous years, but jumped in 2005 to \$35 million. It seems to me there were major capital expenditures or investments made. Could you tell us a little bit about those and what the decision-making process would have been on those significant capital expenditures?

**Mr. Ian E. Bennett:** I think the jump in 2005 and the continuing increase are largely a result of the expansion of the plating facility in Winnipeg. This is the process that allows us to make coins from steel blanks, using plating technology to produce coins at a relatively low cost. We expanded the production capacities in Winnipeg to plate coins, which turned out to be a good decision—even better than we thought at the time, because of the large increase in demand for Canadian circulation coinage and a very substantial run-up in the cost of base metals, such as copper, nickel, and so on, used in the production of coinage. That allowed us to participate in a much more competitive way in the foreign market for circulation coinage.

The capital expenditure numbers are also explained by the silver refinery that was built in the Ottawa facility and opened in early 2006.

• (1550)

**The Chair:** Thank you.

Madame Thibault.

[*Translation*]

**Ms. Louise Thibault (Rimouski-Neigette—Témiscouata—Les Basques, BQ):** As I told you earlier when I arrived, thank you for being here, Ms. Nadeau, Mr. Bennett and Mr. Neville. This meeting is further to, among other things, a previous meeting to which the committee — I say “the committee” on its behalf, because not all colleagues here present had the pleasure of being part of it at that time — had invited the former President and CEO to come and testify about certain situations prevailing at the time, and I will obviously only be talking about one.

I'm particularly interested in the entire governance issue. What attracted my attention at that time was the way in which the former President and CEO had, in that capacity, amended the administrative rules and policies. I think he may have done it in order to put himself and his teammates in a better position. In my view, it's not because a Crown corporation is managed for the purpose of making profits that it should be said it operates like in the private sector, that one shouldn't deprive oneself of taking a jet, travelling first class and putting on a banquet. No one is stupid. We understand that you have to do business, but doing business doesn't always mean saying that you should do it in the most costly manner possible. I think it's always the taxpayers who are the providers and the shareholders. That really struck me because that person's conditions of employment were set out in a proper signed contract and so on. I'm allergic to the idea of going so far as to pay for a car for him, or nearly so. I think we should be reasonable.

Since you took up your position, have you preserved the same policies or do you have administrative policies concerning, for example, travelling expenses, entertainment expenses, membership fees? It always fascinates me that people get reimbursed for golf club dues because, unless you're a pro... When I play golf, my ball is here and that of the company president is there. It's hard to talk to each other before supper or cocktail hour. I don't agree with the idea that you're necessarily doing business because you're together on a golf course or at a private club. Have you taken any governance initiatives to tighten policies so that as few expenses as possible are incurred in those areas? That's my first question.

**Mr. Ian E. Bennett:** Thank you, madam.

Following the controversy surrounding the expenses of the former President of the Royal Canadian Mint, the board of directors in place before my arrival decided to commission two studies, one by Price Waterhouse and the other by Osler, a Toronto law firm. The Osler report addresses processes and rules concerning expenses. In overall terms, the report found that the rules in effect during Mr. Dingwall's time at the Royal Canadian Mint were very strict relative to those in effect in the private sector. All of Mr. Dingwall's expenses had to be approved by the Vice-President for Finance.

However, since the Royal Canadian Mint is a public institution and it is very important that it enjoy public support, the board of directors decided to change the rules in order to increase control. Now, for the president to be able to travel outside the country, the chairman of the board himself must approve the request.

Second, all the President's expenses must be approved not by the Vice-President for Finance, although Mr. Neville is highly competent, but by the Chair of the Audit Committee.

Lastly, the board of directors decided that the President, all vice-presidents and all members of the board had to submit their reports and post them on the Internet.

I think you're right to be very attentive and prudent and to ask us to take very special measures in order to maintain public support.

And, in closing, I must tell you that I'm not a member of a golf club.

• (1555)

**Ms. Louise Thibault:** I wasn't talking about you personally, Mr. Bennett. I was wondering whether, before hiring the new President and CEO, in this case, you, the board of directors had examined the contract, the position requirements and set adequate conditions, saying to themselves that this time it would be different. Is this employment contract more restrictive than the previous ones?

**Mr. Ian E. Bennett:** I think the contract is stricter. Perhaps Marguerite Nadeau can give you more details on that subject.

**Ms. Louise Thibault:** You've only seen your own, haven't you?

I had a question on the disclosure policy, but you answered it by pointing out that the information was available on the Internet. Like everyone in government, you first have to have that approved, then submit it within a given number of days, then it's posted on the Internet, which in itself is excellent.

Thank you.

[*English*]

**The Chair:** Mr. Kramp.

**Mr. Daryl Kramp (Prince Edward—Hastings, CPC):** Thank you, Madam Chair.

I am quite pleased, as a Canadian taxpayer, if I shop around the rest of the world and I take a look at countries or nations that don't have their own capacity to manufacture their own product.

What percentage of your actual product is actually for domestic use, versus international sale?

**Mr. Ian E. Bennett:** The numbers show that about 42% of our revenues are from international sales.

If I could, in following up to your observation, I'd just make a point. It's one that I think we, as Canadians, should collectively be quite proud of.

A number of years ago, researchers at the Mint developed a new technology to make coins less expensively, as I explained earlier. We had no idea how that was going to pay off to the extent that it has paid off.

Right now, it costs the United States government, the United States Mint, 8.3¢ to make one nickel. It costs 3.3¢ more than the face value of the coin. The Royal Canadian Mint can make a nickel for under 2.5¢. There is still seigniorage available to the Canadian government and the Canadian taxpayer as a result of our capacity to make coins more cheaply.

We have a patent on that technology. We're quite prepared to talk to the U.S. Mint, should they ever get authority from the Congress to change the content of their coins and use our technology, although we would charge them a pretty nickel.

• (1600)

**Mr. Daryl Kramp:** Just following up, then, I see that you've quoted New Zealand, of course. Is that our technology? Is that a similar technology from someone else? Are we getting a royalty off the New Zealand coin if that's the case?

**Mr. Ian E. Bennett:** The New Zealand case is something we worked very carefully on.

New Zealand decided to change all of their coins. They had already gotten rid of the penny, and they decided to get rid of the nickel as well. With the remaining coins—the 20¢ piece, the dime, and the 50¢ piece—they decided to change not the design of the coins themselves, but the content, to make them lighter, because people were complaining about the heavy coins.

They don't have their own mint. The Royal Mint in England used to make all their coins. So New Zealand decided to go out and look internationally at all of the mints that might bid on this contract. Being good New Zealanders, they went around the world, looked at the facilities in Winnipeg and in other countries, like Austria's and the Royal Mint, and they concluded that our product, our multi-ply technology, was the best in the world, and they opted to go with it. That was before metal prices skyrocketed.

When I joined the Mint, one of my first jobs was to go to New Zealand in July—their winter, mind you—and assist the Governor of the Reserve Bank of New Zealand to launch these new coins. They're very pleased with them.

To answer your question, we make money on that contract. We made all of those coins in Winnipeg, and we launched them in New Zealand in July. They're pleased as punch with the product, and they've ordered more.

**Mr. Daryl Kramp:** Do you foresee possibly expanding this market? Are you aggressively searching for new options?

**Mr. Ian E. Bennett:** Absolutely, we are. We are very excited. I personally see much of the future of the Royal Canadian Mint and some of the profitable growth that we will have as being in our foreign circulation business.

Imagine a central banker who is faced with the prospect of having to pay 8¢ or 10¢ to make a nickel when we can make it for 2¢ or 3¢. It's that order of competitive advantage that I think we have with this technology. So, yes, I'm going around to all sorts of countries to try to sell this technology.

We want to make further inroads in the Caribbean. The British Mint is one of our main competitors in that region. They're down there making coins for Jamaica when we can make them much cheaper and we make them much better. So, yes, I plan to try to take as many customers away from the British as possible.

**Mr. Daryl Kramp:** I understand there has been a pretty significant increase in the domestic production of coins. Could you just give me a little bit more detail on that?

**Mr. Ian E. Bennett:** Yes. In Winnipeg in 2006, we produced a record number of coins, at 2.2 billion coins. When we started the year, we thought we would be producing about 1.4 billion. As the year wore on, the demand for Canadian circulation coinage kept increasing, to the point where we had to operate that Winnipeg plant flat out and even had to delay some of our foreign contracts so that we'd have the capacity to service the Canadian market.

Everyone is scratching their heads, wondering exactly why that is, as we move to more electronic payments and credit cards. You can pay for your parking and so on with credit cards now. So why did we experience this sudden demand increase for Canadian circulation coinage?

I think the best explanation is that if you look at the life of a coin, we make it, we put it in our inventories, and the banks demand it because retailers demand it. Retailers demand the coins to give change to customers, you people at this table.

What do you do with your coins? I don't know about you, but I have a big jar at home, and I put them there. Many Canadians are putting their coins in jars and not putting them back into circulation, because they don't use their coins any more to pay for parking meters or transit fares or you name it. So we have a large inventory of coins building up, but the retailers are still demanding, particularly in this hot economy, coins for commercial purposes. So we've seen that big run-up in demand for circulation coinage.

**Mr. Daryl Kramp:** I have one question.

With such a significant increase in demand, yet not a huge increase in staffing over that particular period, I've noticed here, should you wish to expand markets and/or dramatically change the capacity of the Mint to be able to meet market demands, how much of your fixed costs would stay the same? How much additional capitalization would be required? Are you labour-intensive? Where's the trade-off between capital equipment versus labour in the production of your equipment?

• (1605)

**Mr. Ian E. Bennett:** That's an excellent question. It's one we're struggling with now, and one the board is struggling with.

As was pointed out earlier, we have increased our capital spending, and we plan to continue at that higher level. A lot of the presses that we have in Winnipeg are really quite old. They produce—I'm going to get the numbers wrong, but someone will correct me—maybe 500 coins a minute. We have these new machines that can produce close to 1,000 coins per minute, so we are replacing some of those old presses with new capital equipment.

We have also gone out and sought out partners. I would mention one in particular. We had an agreement with Jarden, in the U.S., in Tennessee. They agreed to build a plating facility that uses our technology, and that will offer us a more diversified supply of plated material. When I go out to try to sell our product internationally, it will be very helpful for us and for the customer to know that there is now a broader capacity worldwide for plated material. They don't have to worry about relying on a single plant in Winnipeg. They can also draw on the plated output from Tennessee, in Jarden's facility.

We're going to have to look at all the different ways in which we can have this expansion that I think we will see in the foreign market, while keeping costs under control. This growth is not very helpful if it just increases costs at a greater rate.

**Mr. Daryl Kramp:** It doesn't matter what you make, it's what you spend.

**Mr. Ian E. Bennett:** That's right.

**The Chair:** Thank you.

Madame Nash.

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

First of all, welcome to all of you.

I'd like to pick up on your last comment, about the plant you're looking at in Tennessee and the production there.

First of all, congratulations on being named one of the top 100 employers in 2006 by *Maclean's*. What makes the Canadian operation such a great place to work? Is it just being surrounded by all that money? That would make me happy, I guess. What were the criteria?

**Mr. Ian E. Bennett:** That's a good question.

When I first joined the Mint on June 12, I met with the staff on June 12 in Ottawa. On June 13 I went out to Winnipeg to meet the staff, because they're always interested in who the new person is. It's funny, the flavour I had in Ottawa was the same flavour I had in Winnipeg. We came in there and asked people how long they'd been there. It was 10 years, 15 years, 20 years, as people who join the Mint tend to like the Mint. It has almost a family-like atmosphere. There's a real esprit de corps at the Mint.

People believe in the product. We have very good relations with the unions and the union leaders. We make a point of getting out of our offices on the executive floor and getting out to the plant. I have lunches—and I'm getting fat doing it—in my office with employees nine at a time just to hear from them directly, unfiltered by these people, on what their real concerns and issues are. I don't know how to fully explain why we make the top 100, but I think that's part of it. And with the Government of Canada as the employer, we do have good benefits, and there's no getting around that as well.

**Ms. Peggy Nash:** That makes a big difference. There's no discount on your coin collections or anything?

**Mr. Ian E. Bennett:** Actually, we have a discount in the boutique for Mint employees, but not on collector or circulation coins.

**Ms. Peggy Nash:** What's the average age in seniority? Is this an older workforce or a real mix?

**Mr. Ian E. Bennett:** I think the average age at the Mint is 37 to 42. That's a bit lower than I thought it was going to be. It looks younger and younger to me every day. I think one of the reasons is that we had a fairly significant expansion in Winnipeg. That tended to lower the average age of the workforce generally.

When I say the average is that low, it doesn't mean we don't have a demographic problem and a challenge in replacing employees. There are older employees as well who are master engravers and highly skilled people. We do have a problem, especially in Winnipeg out west, of retaining skilled trades people—mechanics, electricians, and so on. The heat from the oil industry is felt in Winnipeg that way, and it's a challenge.

● (1610)

**Ms. Peggy Nash:** Is there an apprenticeship program in the Mint, or do you hire people with their trades tickets?

**Mr. Ian E. Bennett:** We do both. In particular, for engravers we have a very intensive apprenticeship program because there isn't that much demand for engravers. Even in the trades in Winnipeg, yes, we have an apprenticeship program. But we're at the point where we have to engage search firms to hire electricians in Winnipeg now.

**Ms. Peggy Nash:** It was like that, I remember, in southern Ontario, where I'm from, when the housing market was really taking off. Industrial workplaces couldn't keep trades people because they could make more money in the housing industry. We have booms and busts like that.

What will it mean if you come up with another facility in Tennessee? I see you're expanding your production significantly. You've increased your workforce significantly. Is the trend line such that you believe the numbers are just going to go up and an additional facility won't have an impact on the people here in Canada?

**Mr. Ian E. Bennett:** I don't think it will have an impact on the people here in Canada except in a positive way. Our ability to go out and get new business from foreign governments is a function in part of their faith in the Canadian Mint and our capacity to produce the product in a timely way. So the extent that we have a business relationship with this plant in Tennessee, Jarden, for plating, means there's greater faith in our ability to actually deliver the product.



As well, in the minting business—and I'm learning day by day about the minting business—there are different stages to the production of a coin. Every time we clear up one bottleneck another emerges if you want to increase production. Coining, the actual process of stamping the coin, is a challenge for us now in terms of the capacity we have in Winnipeg; hence, I was mentioning these new presses that can produce them more efficiently and quickly. That's one bottleneck we're dealing with now.

**Ms. Peggy Nash:** Are there any other parts of the production that are sent out to a third party, or is most of the other work done in-house?

**Mr. Ian E. Bennett:** Most of the work is done in Canada, either in Ottawa or in Winnipeg, but we do have a particular contract with Thailand. We make the one and two baht coins for Thailand. We had some of that coined in an idle mint in India using our quality controls and our people on-site to make sure the quality was satisfactory to us.

I think the key here is that we want to be flexible to make sure that we can go out and get the foreign business and deliver it in such a way that we end up with a satisfied customer. Thailand now, not to go on too long, is contemplating changing their coins even more dramatically to use our multi-ply technology, and if we get that contract, that will mean billions of coins that we will be in the market for.

**Ms. Peggy Nash:** How did we get this great technology? Who developed that?

**Mr. Ian E. Bennett:** We got it at 320 Sussex Drive. That's where the Royal Canadian Mint is, and that's where this technology was developed, in-house.

**Ms. Peggy Nash:** That's Canadian ingenuity.

**Mr. Ian E. Bennett:** It is Canadian ingenuity that has really paid off. It's something of which we should really be proud.

**Ms. Peggy Nash:** Excellent, thank you.

**The Chair:** Thank you.

We'll go to Monsieur Simard.

**Hon. Raymond Simard (Saint Boniface, Lib.):** Thank you very much, Madam Chair, and welcome to our guests.

The mint in Winnipeg is in my riding, and I'm very proud of it. I can tell you—I know a lot of people who work there. It's more than a benefit. There's a very positive atmosphere, for some reason, in that place. I've visited it on several occasions. Keep up the good work.

I'd just like to talk to you about the relationship between Tennessee and Canada again. Just so I understand, are you selling the technology? You're not selling the coins. Do you sell the technology and then you get a percentage back, or how does that work exactly?

• (1615)

**Mr. Ian E. Bennett:** We license the technology. We can rely upon Jarden to produce blanks for our circulation coins, and on that we don't extract a royalty, but if they were to use that technology on a contract that they might have, we would get a royalty on any sales they have. I think it's in the order of 15%.

**Hon. Raymond Simard:** That's 15%.

Are you concerned about any upcoming countries—China or India—competing with us, or is the technology so far advanced that you're not concerned about that?

**Mr. Ian E. Bennett:** Well, it is patented, but patents do run out, and this one will start to run out in 2010 or 2012. Yes, we're worried about that, so those clever individuals over at 320 Sussex are still doing their research to see if we can further improve the product and get the patent refreshed, to use the jargon, so that we will take another step forward in the level of technology that we're able to sell and market.

India is not a competitor; China is not a competitor in this business. European mints are competitors in the circulation coin business. We worry about the British. We worry about the Dutch Mint. In numismatic products, the bullion products, the Austrian Mint is a big competitor of ours. So we're kept on our toes.

**Hon. Raymond Simard:** As my colleague was saying here, the margins are fairly slim, and even the projections for the margins are fairly slim over the next period.

What point are you at in your collective bargaining process? Have you settled for five years or...?

**Mr. Ian E. Bennett:** I wish. The collective bargaining agreements expire at the end of this year, so we're in the process now of preparing for collective bargaining and so is the union.

The Mint has a pretty good labour history. It had some black marks in the early 1990s, when there was a strike, but it is certainly an objective of mine—and I think of the union's as well—to maintain the good will. So we're optimistic.

**Hon. Raymond Simard:** I know the Mint is also a very good corporate citizen, and if I'm not mistaken, maybe a couple of years ago there was a story that the Mint had a program that funded community groups, and it was very much skewed towards certain areas. I'm not sure if it was Ontario. I'm not sure exactly. Do you know if that's been remedied, or do you know what I'm talking about?

**Mr. Ian E. Bennett:** That's one I haven't been fully briefed on, so I'm going to ask Ms. Nadeau.

**Ms. Marguerite Nadeau (Vice-President, General Counsel and Corporate Secretary, Royal Canadian Mint):** I don't quite know what you're referring to.

**Hon. Raymond Simard:** No? I know that in our community, for instance, you can ask the Mint for sponsorship when you have certain events, and they do that.

If I'm not mistaken, maybe a year and a half ago or so, there was a story that said a lot of those sponsorship dollars were going to one specific region, and they were supposed to work on that.

**Ms. Marguerite Nadeau:** All I can say is we do have a sponsorship policy that we've developed. We get approached from time to time by different regions of Canada, for good causes—it can be for cancer or it can be for community events. Each one is looked at individually and we have a framework that we take it through, and then some are approved.

**Hon. Raymond Simard:** Your facilities, for instance, in Winnipeg are huge facilities, but they're 30 or 40 years old—I'm not sure exactly how old. You have to continue reinvesting in them. Your profits are fairly slim. Are your profits reinvested in these facilities, or are they given as a dividend back to the government? How does that work exactly?

**Mr. Ian E. Bennett:** When I was in the Department of Finance as deputy minister I thought the Mint should be paying more dividends. I no longer do.

But you're right, you're absolutely right. The facility in Winnipeg was built in the mid-1970s. Some of the machinery is still original—those presses that I was talking about—so we do have to renew them. We have increased the capacity in Winnipeg over time. We've installed a plating facility. We doubled its size. We've built onto the building. Further investments are ones that we are considering in Winnipeg.

**Hon. Raymond Simard:** Are there major investments coming up that you can foresee would really cut into the profits, or not necessarily?

**Mr. Ian E. Bennett:** No, I think the investments—

**Hon. Raymond Simard:** You've accounted for all that.

**Mr. Ian E. Bennett:** Yes, absolutely. Those investments are planned. I'm really quite confident, although we are in a volatile business, I want to underline that. So if I come back here and we haven't quite made our targets, I want to have an excuse.

It is a volatile business. One of the things I've said to my people is that what I value is to be on your toes and to be able to react to change. In the environment in which we live, change is always possible—in fact, likely.

• (1620)

**Hon. Raymond Simard:** Thank you.

**The Chair:** Mr. Albrecht.

**Mr. Harold Albrecht (Kitchener—Conestoga, CPC):** Thank you, Madam Chair.

I will follow up on the question by Mr. Simard in terms of the profit for the shareholder, that is, Canada, the Government of Canada. Could you just summarize how that happens, the mechanism?

**Mr. Ian E. Bennett:** There are three ways the Government of Canada benefits. One is seigniorage. By keeping our costs down, when we produce a nickel for our customer, the Department of Finance, to the extent that we can produce it more cheaply, allows for there to be greater seigniorage. When we sell it to the banks, we charge them a full nickel; we don't give them any discounts. To the extent that we can keep our costs down, the difference between the cost of production and the face value of the coin is called seigniorage, and over the past five or six years it's amounted to about a half a billion dollars to the Department of Finance in seigniorage. So that's one way.

The second way is that we're a taxable crown corporation. To the extent that we make profits, we pay income tax at what I now think is an exorbitant rate—I didn't when I was in the finance department—on those profits.

The third way is that we do pay a dividend. To the extent that we make profits, the board of directors each year looks at the profits and declares a dividend to the government. In the last few years it's averaged about a million dollars per year in dividend from our operations.

To the extent that we become increasingly profitable, I think it would be a fair game for the Department of Finance or the Treasury Board to come to us to ask, "Could we have a dividend policy that isn't quite so arbitrary?" That's something we're quite prepared to discuss with the government so that there's....

I guess the last thing I'd mention is the economic activity we generate generally.

**Mr. Harold Albrecht:** I was thinking more in terms of it just goes into general revenues. Is that how it's handled?

**Mr. Ian E. Bennett:** Yes.

**Mr. Harold Albrecht:** Okay, thank you.

Could you outline, as well, how the employees are disbursed—Winnipeg, Ottawa? What are the numbers? Is it 300 and some in total?

**Mr. Ian E. Bennett:** It's about 750, about 60-40, Ottawa-Winnipeg, approximately.

**Mr. Harold Albrecht:** I noticed in your appendix that you commented about the issuance of the poppy-coloured circulation coin in 2004. I think there have been others since that, with a pink ribbon. Are those limited edition, or are they constantly being produced?

**Mr. Ian E. Bennett:** Well, they're circulation coinage, so they're sold for their face value, and we don't charge a premium for any numismatic characteristic. We produce a certain number—it was 30 million—and once they're produced, that's it. We're not going to produce more poppy coins or more breast cancer coins.

**Mr. Harold Albrecht:** Okay. I have one final question, if I could, about the foreign markets. You have already mentioned New Zealand and Thailand. Are there other major foreign markets? Just list half a dozen of them or so.

**Mr. Ian E. Bennett:** Over the years we have produced coins for 52 countries. Right now we are producing coins for 12 countries. It varies, of course, because we hope to get more customers. Barbados, for example—and I did visit them, and it was in winter, I will confess—is our oldest customer. We have been producing coins for Barbados for 33 years at the Royal Canadian Mint.

More recent customers would include Ghana, Uganda, Ecuador, Papua New Guinea, and Chile, I think. Panama is a recent customer. Thailand, maybe I mentioned, is a very interesting customer, because the volumes are so huge should they make the decision to go with our multi-ply technology. It is volatile, too.

**Mr. Harold Albrecht:** Thank you.

**The Chair:** Thank you.

We'll go to Mr. Wrzesnewskyj, for five minutes.

**Mr. Borys Wrzesnewskyj:** Thank you, Madame Chair.

From the table, I assume that the seigniorage that you just spoke of provides about \$500 million. Or did I mishear?

**Mr. Ian E. Bennett:** From 2002 to 2007, it is about \$450 million.

**Mr. Borys Wrzesnewskyj:** Okay. I don't see that reflected. Is that right in your revenue stream here?

**Mr. Ian E. Bennett:** It is really a separate calculation. It simply reflects the value to the department. We never see a nickel of that.

•(1625)

**Mr. Borys Wrzesnewskyj:** Okay.

Do you have a table you could provide us with that would show the various revenue sources and the accompanying expenses? Going back to the trend lines I referenced earlier, profitability is trending downwards by 2007, down to 1.95% of revenues. Are there any particular areas you are losing money on? Are you losing money on gold refinery? I assume that on the numismatic part of your business you are making money. Do you have those sorts of tables to provide for us?

**Mr. Ian E. Bennett:** We can.

One general comment I will make is that some of the big growth in revenues is in bullion, and there the margins are very low. They are a maximum of 3%. To the extent that the revenue growth is from bullion, it will drive down those percentages. It doesn't necessarily represent a general problem, it just represents a shift in the source of revenues from one area to more bullion. We are trying to get more bullion, because even though the margins are small, you can still make money doing it.

**Mr. Borys Wrzesnewskyj:** Are you trying to tell us that for some of these revenues, if we extrapolated from income that has been made strictly from sitting on reserves of bullion, we might see negative operational...?

**Mr. Ian E. Bennett:** No, I am not trying to say that at all. It is still positive. It simply is the fact that the bullion market is processing large, high volumes of gold or silver, and you don't make an awful lot of margin on it. In some of our other businesses—foreign circulation—the margins are greater. To the extent that there is a shift, so that more of our total revenues come from bullion, that will, on average, bring down the margin.

**Mr. Borys Wrzesnewskyj:** Mr. Bennett, in my first round of questioning I asked for some tables, and it would be interesting to also see this breakdown of revenues and profitability by department or by type of business. When could we expect that sort of information from you?

**Mr. Ian E. Bennett:** We are going to be tabling our corporate plan on March 23, and it will be available then.

**Mr. Borys Wrzesnewskyj:** On your marketing and sales costs, you keep mentioning all these wonderful opportunities internationally, and you keep saying that you have gone on trips. I assume that you have a whole sales team, that this doesn't entail you going to Thailand or you going to New Zealand, as you have said, or you going to Bermuda, as you have said. I assume you have a sales team that does most of this travel and most of this work.

**Mr. Ian E. Bennett:** Yes, you are quite right. I end up having to go to some of these places, because the customer wants to see the CEO, wants to be satisfied that the Mint is taking them seriously, that there is a real dedication to the product, to the contract. I don't go to every place, no.

**Mr. Borys Wrzesnewskyj:** So you'd be the clincher or the guy who comes when the contract is ready to be signed?

**Mr. Ian E. Bennett:** Sometimes. Sometimes I'm just there for show. I feel like a politician—no offence.

**Some hon. members:** Oh, oh!

**An hon. member:** Good one.

**Mr. Borys Wrzesnewskyj:** Okay, I think we'll end it at that.

[*Translation*]

**The Chair:** Mr. Nadeau.

**Mr. Richard Nadeau (Gatineau, BQ):** Thank you, Madam Chair.

Good afternoon, Ms. Nadeau, Mr. Neville and Mr. Bennett.

You do 58% of your business in the domestic market, that is to say in Canada. If I understand correctly, Winnipeg is the place where most of the production is done. The market in Ottawa has more commemorative pieces. As for Tennessee, is that one of your plants or a company with which you do business?

**Mr. Ian E. Bennett:** It isn't a plant of the Royal Canadian Mint; it's simply a Tennessee plant that produces

[*English*]

multi-plated steel product for us.

•(1630)

[*Translation*]

**Mr. Richard Nadeau:** You also said that other coins were produced in India. I'm quite aware that we are in the era of market globalization, but couldn't these plants that supply the Royal Canadian Mint be in Canada?

**Mr. Ian E. Bennett:** Yes.

**Mr. Richard Nadeau:** Are they outside Canada because wages there are lower? I'm a bit surprised to see that the Royal Canadian Mint does business with plants in Tennessee and India. That's not a sin in itself, I assume, and it's a matter of globalization, but...

**Mr. Ian E. Bennett:** Globalization is a factor, that's true. It's very important to cut costs in both the private and public sectors. As regards India, we only produce Thai currency there.

**Mr. Richard Nadeau:** That's a contract that Canada is carrying out. The idea is to produce Thai coins in India. I understand. Perhaps I'm completely beside the point, but, in that case, why not move the Royal Canadian Mint to India or Tennessee? We'd be saving money.

[English]

**Mr. Ian E. Bennett:** We were not going to move the core of our business outside of Canada.

[Translation]

We're staying here. The Tennessee plant simply enables us to increase our production potential for

[English]

multi-ply steel blanks.

[Translation]

**Mr. Richard Nadeau:** I understand the idea, but I'm surprised.

If I remember correctly, there are approximately 208 countries in the world, and you manufacture coins for 13 of them, including Canada. Of course, Canada produces its own coins, and I assume it alone makes them.

Mr. Wrzesnewszky talked about open markets earlier. Since 48% of our production is already intended for 12 countries, it is feasible to consider going and exploring elsewhere and doing business with other countries in order to manufacture more coins? For the moment, the market is limited to a given number of countries, but there are nevertheless a lot of opportunities for expansion, even though some countries manufacture their own coins.

**Mr. Ian E. Bennett:** Briefly put, yes.

I think there are a lot of opportunities in that area because our costs are lower. Our patent is also a positive factor.

**Mr. Richard Nadeau:** I suggest that idea because I'm not privy to that information, but who knows? In Europe, some 25 countries share the same currency, the euro. There was some talk of a currency of the Americas. Is it possible to head in that direction? Have you heard anything about that? Would we be saving money by producing a currency for the Americas, that is on a larger scale? Would that simplify matters?

**Mr. Ian E. Bennett:** I believe the laws are very strict in the United States. Only Americans can produce their...

• (1635)

**Mr. Richard Nadeau:** ...their own coins.

**Mr. Ian E. Bennett:** Yes, precisely.

You're right in saying that the euro is the currency of all those countries, but it is very interesting to note that each country is entitled to put its own effigy on the back of its euros.

**The Chair:** Pardon me, sir, but your five minutes are up.

**Mr. Richard Nadeau:** Thank you, Madam Chair.

**The Chair:** Before continuing, I'd like to ask a few questions. Time is going by, and no one has inquired about this subject.

[English]

I want to know how much it costs you to produce a penny. Are there any discussions—and I know there have been some over the

years—about getting rid of the penny and the nickel? Are there discussions about bringing forward a five-dollar coin? There have been rumours about that.

**Mr. Ian E. Bennett:** It costs us less than a penny to make a penny in Canada. In the United States it costs them more. It doesn't cost us much less than a penny to make a penny these days, but we still have positive seigniorage even on the penny, in terms of our production costs.

On the one-cent and five-cent coins, these are questions that are better addressed to the government. The government has to make the decisions about the currency, whether to continue with the penny or the nickel, and whether to have a five-dollar coin.

My personal view on it—and I don't think they can fire me for this, but you never know—is that the New Zealand guys might be on to something. I don't think it will be soon, but at some stage it might be an occasion to revamp our coinage. If we're going to get rid of the penny—I'm not necessarily advocating that, and certainly the government isn't—then maybe we want to look at the size and weight of the other coins as well and come up with a new palette of coins, as New Zealand did.

Maybe at that time the population will be more willing to consider a change. The polls that have been done show there's a great deal of uncertainty in the minds of Canadians as to whether it's a good idea to get rid of the penny. That's true in the United States as well. It remains quite a controversial subject, which the government will have to struggle with.

**The Chair:** Mr. Goldring wants to ask a question.

**Mr. Peter Goldring (Edmonton East, CPC):** I can't remember if it was at the Canadian Mint, but there was something about a massive gold coin being struck. Was there a discussion on that? Just how many pounds would that be, and how portable would it be for me to take home a sample?

**Mr. Ian E. Bennett:** The government recently gave the Royal Canadian Mint order-in-council approval to produce a coin that would have a legal tender value of \$1 million. I'm going to be a little vague here, because my marketing people want to keep it as a surprise when we unveil what this is going to look like.

**An hon. member:** Does it come on wheels?

**Mr. Ian E. Bennett:** You'll need to bring your strongest son with you to carry it. It will be about 100 kilograms in weight, so it will be over 3,000 ounces. If you do the math, at today's gold price the value of the gold alone will be in excess of \$2 million. So it will have a face value of \$1 million, but we're not going to sell it for \$1 million; we'll sell it at a price that reflects the value of the gold and a profit for the mint.

We haven't embarked on this just because we like to build things bigger and bigger. It's because we want to underline for the world's bullion community that the Royal Canadian Mint has the technology to do this. No one else can make a gold coin this big. No one has ever done it before. The same guys who were so clever with multiply steel plating at 320 Sussex have developed a technology that will allow us to produce this gold coin.

**Mr. Peter Goldring:** With the discussion on the penny, outside of the rise and fall of the price of your raw material, copper, will it have much of an impact on it should the GST move to 5% rather than 6%, as it is now? It will result in less fractionalizing in the change that stores need to give back. Will that have any real input on whether you continue the penny or not?

**Mr. Ian E. Bennett:** I don't think so. In New Zealand—and Australia got rid of their penny as well—they still price things in the stores at \$1.99. You take all your purchases to the cashier, they add them up, and maybe it comes to \$58.62. If you pay with a credit card you get charged \$58.62. If you pay cash and there's no penny, both of those countries have legislation that has established rounding rules. The merchant is required to round the total in favour of the consumer. So it can be done, and we can still live without the penny.

• (1640)

[Translation]

**La présidente:** Mr. Bonin.

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

[English]

I would like to briefly go back to the poppy coin.

[Translation]

I'd like to know your position on the process. Was that a good experience? Is it something you would like to do again?

I can tell you that we members received a lot of complaints because that was distributed by Tim Hortons. People had trouble accepting it. In my case, I told my constituents that I was going to buy some, then sell them to them for \$10 a roll. I tried to buy some; they refused to sell any to me. I insisted, and they agreed. However, when I received the order, I had to pay \$60 for shipping. So I had to absorb that cost myself.

I find it hard to accept that a member who purchases coins should have to bear additional costs. If I had been in Winnipeg, would I have had to pay the \$60? If the coins had been made in Ottawa, would I have had to pay that amount? If I had to pay that amount, my constituents had to pay it as well, whereas Tim Hortons didn't have to pay it.

So there was an injustice because you did the distribution for Tim Hortons, but not for us.

[English]

**Mr. Ian E. Bennett:** I'm going to let Mr. Neville speak to it, because that's a tough question.

I don't think our experience at the Mint with Tim Hortons and the poppy coin was a universal success. We had problems and we've learned some lessons as a result. We will continue to explore the production of coloured coins. We did it again with the breast cancer coin, which I don't think had the same distribution problems and issues as the Tim Hortons poppy coin.

So I take your point. I think we have learned some lessons as a result of the experience with Tim Hortons.

Do you want to add something?

[Translation]

**Mr. Richard Neville (Vice-President, Finance and Administration and Chief Financial Officer, Royal Canadian Mint):** I might add that it goes without saying that we had problems, but we also had a lot of success. That was the first time in the world a coloured circulation coin was made. We made 30 million of them. It was very well received; we even had additional requests for those coins.

As regards the transportation cost, we obviously had to charge it to you. We also handled all the Canadians who requested coins from us, both those from Vancouver and those from Winnipeg, Ottawa and the east. We charged them all shipping costs to distribute the coins in those circumstances. Would we do the same the next time? That's a good question.

That was the first time. We've learned some lessons from that experience and we'll obviously resolve that in the future.

**Mr. Raymond Bonin:** Did the Winnipeg people have to pay shipping?

**Mr. Richard Neville:** Yes.

**Mr. Raymond Bonin:** They paid the same amount, even if there was no shipping?

**Mr. Richard Neville:** That depended where they were.

**Mr. Raymond Bonin:** What if they could go pick them up?

**Mr. Richard Neville:** All right. It's the same thing here in Ottawa. If you came to the store...

• (1645)

**Mr. Raymond Bonin:** No, we tried.

**Mr. Richard Neville:** That's because there weren't any more. We had a certain number to distribute. There was a fixed price for a roll of coins at the store, but there weren't any shipping charges.

**Mr. Raymond Bonin:** I can tell you that they refused here.

**Mr. Richard Neville:** There were line-ups at noon to pick up coins.

As I told you, it was a major success in that people wanted to have the coins.

**Mr. Raymond Bonin:** I agree that it was a big success, a great initiative. However, my constituents found it hard to accept the fact that they had to pay shipping, whereas Tim Hortons didn't pay. That's what you have to remember.

Thank you.

**The Chair:** Ms. Thibault.

[English]

If there's nobody else after you, we'll break for a few minutes. Then we'll come back to discuss some future business. We'll only be back for about five minutes.

**Some hon. members:** Let's not break.

**The Chair:** We won't break then.

Madame Thibault.

[*Translation*]

**Ms. Louise Thibault:** Thank you very much. I'd like to go back to the lessons learned with regard to Tim Hortons. Would you redo the same experience without proceeding by means of a call for tenders? If you had to repeat the experience, would you issue a call for tenders to determine who in the private sector would be interested in taking part?

I think that was unacceptable. I have nothing against Tim Hortons, but it was unacceptable to favour certain regions based on the number of Tim Hortons there. For example, I can tell you that they're hard to find in the Lower St. Lawrence region. From Quebec City on, that's fine. I know because I travel that road: I leave Rimouski on Monday to come to Ottawa, and I return there by car on Friday. So I can tell you where the Tim Hortons, Dunkin' Donuts and Starbucks are because I'm a coffee drinker. Someone was favoured, which raised some very serious questions. That's one of the lessons learned.

We've obviously talked about coins. Pardon my ignorance, but what about paper currency? You produce ours, but do you produce those of other countries? Is that something that isn't done? Do countries produce their own paper currency?

**M. Ian E. Bennett:** We make it, in Winnipeg.

**Ms. Louise Thibault:** You can also do it for other countries?

**Mr. Ian E. Bennett:** Yes, under contract. For example, we have a contract with the Government of Thailand and with New Zealand. All coins are manufactured in Winnipeg.

**Ms. Louise Thibault:** I'm not talking about coins; I'm talking about denominations, about paper money.

**Mr. Ian E. Bennett:** Oh, no.

**Ms. Louise Thibault:** You don't do that?

**Mr. Ian E. Bennett:** No.

**Ms. Louise Thibault:** But you print it for us.

**Mr. Ian E. Bennett:** No.

**Ms. Louise Thibault:** You don't print our paper currency?

**Mr. Ian E. Bennett:** No, that's the Bank of Canada.

**Ms. Louise Thibault:** The Bank of Canada prints dollar bills! So you have to talk to the Bank of Canada people about security and counterfeiting.

Correct me if I'm wrong, but I haven't heard of coin counterfeiting. From time to time, you can put a peso, for example, into a machine, but I haven't heard that there were any counterfeit one- or two-dollar pieces on the market. However, suddenly we're told that we have to watch our \$20 bills. Everyone takes \$50 bills because they don't dare take \$100 bills anymore. Do you have that problem with coins?

My last question concerns succession. Ms. Nash asked some excellent questions, and I got some of my answers. With regard to human resources, should we, like other federal organizations, do labour force planning, considering the average age of the labour force? Are you recruiting, for example, at artistic institutions and so on to get male and female engravers? Do you have a succession plan? If so, what is it?

Are you concerned about a fair male-female distribution and all the other human resources considerations at the time of hiring?

Lastly — and this is one of my favourite subjects — are you concerned about official languages? I hope you won't answer that your inspiration is the same as that of the Department of National Defence. I'm very serious. I'd like to know how things are going with regard to recruitment and respect for the language of work, both in Winnipeg and in Ottawa. How do you ensure that employees work in the language of their choice?

Thank you.

**Mr. Ian E. Bennett:** I can start and Mr. Neville can continue.

This is quite interesting for me because I worked nearly my entire career at the Department of Finance and for the International Monetary Fund in Washington. The working environment in both those places was mainly Anglophone.

I was surprised to see that most of the employees at the Royal Canadian Mint were bilingual. This is an opportunity for me to improve my French. It's a challenge, but I'm determined to make progress.

In Ottawa, 40% of employees are Francophone, whereas there are virtually no Francophones in Winnipeg. Nearly all Mint employees are bilingual. It's a very pleasant working environment for bilingual people, for Anglophones and Francophones.

Mr. Neville.

• (1650)

**Mr. Richard Neville:** You referred to the succession. I'm pleased that you raised that question because it's a very good one.

It concerns us, and we have a succession plan for all senior positions and all key positions at the Royal Canadian Mint. Every year, we conduct a review to ensure that everything is up to date. If someone has to leave, we've already anticipated the consequences because we have planned so as to avoid problems. That's very important.

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

[*English*]

Mr. Wrzesnewskyj, a very short question.

**Mr. Borys Wrzesnewskyj:** Thank you, Madam Chair.

How many sales and marketing people do you have?

**Mr. Richard Neville:** Twenty-one or twenty-two.

**Mr. Borys Wrzesnewskyj:** In all of their sales work or the work that they've done internationally and in some of your international travels, has anyone ever requested a \$1 million coin?

**Mr. Ian E. Bennett:** Not yet. I guess—

**Mr. Borys Wrzesnewskyj:** So there's not a great demand for coinage of that size as far as any of your sales or marketing people can tell?

**Mr. Ian E. Bennett:** Two quick things. One is that we have a sales marketing staff on our payroll. We also have representatives in countries who aren't on our staff, and they seek out the contracts. There's no payment to them unless a sale is made, so it's more than 20 or 21.

Point two: With respect to the million-dollar coin, we're not going to produce any unless there is a demand. Indications from what you'd have to call the wealthy investors are that there is a demand in the Middle East, in Japan, and in the United States. The only precedent for this is Austria, which produced a thousand-ounce coin, the philharmonic coin, to showcase their bullion product, which competes with our gold maple leaf coin. They produced 15 of them and sold 15, and their quality is not the same as the quality we will have in our coin.

**Mr. Borys Wrzesnewskyj:** What kinds of sales projections do you have for this?

**Mr. Ian E. Bennett:** It's difficult to say. We have an interest shown in ten right now.

**Mr. Borys Wrzesnewskyj:** I also noticed there's no line for research and development. I guess that has been folded into some of the other lines here. Which ones would they be?

**Mr. Richard Neville:** Generally, general administration, and we have some in our plant, cost of goods sold.

**Mr. Borys Wrzesnewskyj:** Your charter says you can have subsidiaries. Do you actually have subsidiaries?

**Mr. Richard Neville:** Yes, we have one subsidiary, Royal Canadian Mint Holdings, which we own 100%, and it in turn owns 50% of a subsidiary called TGM.

**Mr. Borys Wrzesnewskyj:** What type of business and what specifically? How is that reflected in your statements?

• (1655)

**Mr. Richard Neville:** Packaging. It's consolidated, so it's not a large entity compared to the Royal Canadian Mint. It is consolidated, so when we share our financial statements at the end of the year, both the revenues and the expenses are included there, and so are their assets.

**Mr. Borys Wrzesnewskyj:** You said it's a packaging company?

**Mr. Richard Neville:** Yes, packaging for—

**Mr. Borys Wrzesnewskyj:** So does it also provide the Mint with a profit, or is this a loss?

**Mr. Richard Neville:** Yes, it does. Yes, it has a budget. It has plans. It's profitable. It does some work for us. It also does some work for other entities—the U.S. Treasury, the U.S. Mint.

**Mr. Borys Wrzesnewskyj:** One last comment. When you talked about demand for coinage and why all of a sudden the demand has gone up, you said parking meters take cards now, so there is less of a demand. That's counterintuitive. So people are putting them in jars. That doesn't increase the demand. It means they're going into jars, as opposed to parking meters, and they're not necessarily in circulation.

Have you done...? It's counterintuitive, and somehow I can't swallow that, so do you have something that provides some understanding of why there would have been such an increase in demand, and do you expect these sorts of increases to continue?

**Mr. Ian E. Bennett:** Let me take one last stab at it.

What used to happen, when people put coins in parking meters and put coins in the slots in their buses, those coins would be collected by armoured cars and taken back to the coin pool and recirculated. So when a financial institution demanded more coins,

those coins would be sourced not through the Royal Canadian Mint, but through the recycling of the coins through the parking meters, through the transit fares and so on. The retailers are still demanding coinage to make change, and there are two sources for them to get coins. One is recycling them through parking meters and general use of coinage, and the second is through the Royal Canadian Mint, demanding new coins.

So the fact that people are not putting them back into circulation but hoarding them instead increases the demand for new coins, and therefore we have to produce more.

**Mr. Borys Wrzesnewskyj:** Is that an assumption, or is it based on a study that tells us this is what's going on and you need to plan for that?

**Mr. Ian E. Bennett:** It's not pulled out of the air. It's a conclusion reached by the National Coin Committee, of which we are a member, that this is what the wizards in the financial institutions think has been happening. The question becomes, this can't go on forever. People aren't going to end up filling their houses full of coins. So there will be a point when the demand for coinage will come down as the coins get recirculated into the system, but how long that period is going to be is a good question. And it makes it hard for us to plan our operations.

**The Chair:** Thank you.

Remind me to go into all my purses; I bet there are all kinds of loonies and toonies everywhere.

Thank you for coming, and I hope you keep on making lots of coins and bigger and better profits, because I think the government likes them. Thank you.

Now, before we leave, we can go in camera—but we don't really have to.

Madame Thibault just had a question. It's about an order-in-council appointment that was referred to the committee, the appointment of Madame Jocelyn Bourgon as an adviser to the cabinet. Madame has it with her there.

[Translation]

**Ms. Louise Thibault:** You all received it from the clerk.

Through the Governor General of Canada, Mr. Harper appointed Ms. Jocelyne Bourgon, whom a number of you must know and who was Clerk of the Privy Council, senior advisor to the Privy Council Office. We're told she has been appointed during pleasure and that her salary will be between \$218,800 and \$257,500. Those are her salary conditions.

I think it would be a good idea to welcome Ms. Bourgon to our committee so that she can explain her duties to us. She could be accompanied by someone from the Privy Council. For example, we've just voted supply and we've received someone from the Privy Council. If the Prime Minister takes the trouble to appoint a councillor, that person will definitely have a special role to play with regard to the work of all senior officials of the Privy Council.

I have a great deal of respect for Ms. Bourgon, but I'd like to know what she will be doing and how that choice was made. A number of individuals in the public service have very important positions and take on similar duties. It would be interesting for her to tell us how she will perform her duties and take up that challenge. I'd also like someone from the Privy Council to tell us why Ms. Bourgon was selected. I'm certain she's a good choice, but I think our mandate enables us to review appointments. We have the opportunity to do so, and I suggest we do it.

I didn't want to introduce a motion on this point. I wanted to talk about it with my colleagues beforehand. If they are prepared to do so in a friendly manner, we will do it, but I will introduce a motion if we don't have a consensus.

• (1700)

[English]

**The Chair:** What is the pleasure of the committee? Do you agree?

**Mr. Chris Warkentin (Peace River, CPC):** As I've not personally reviewed this yet, is there any way we could have this in a motion and then we'll discuss it at the next meeting?

[Translation]

**Ms. Louise Thibault:** We received it on February 8.

[English]

**Mr. Chris Warkentin:** Yes, I just hadn't seen it until now.

**The Chair:** She can ask for that. We don't need a formal notice of motion; she can move a motion now.

**Mr. Chris Warkentin:** I'm just asking if it would be all right if we just hold off on it until the next meeting.

[Translation]

**Ms. Louise Thibault:** We could decide on Thursday to invite her to come and meet with us.

[English]

**The Chair:** We could decide to have her come. It turns out that Passport Canada said they only have an hour for us. If we wanted to have her here, we could do so after Passport Canada on Thursday the 22nd. But it's up to you.

[Translation]

**Ms. Louise Thibault:** I understand, and I believe my colleague when he says that he hasn't looked at it. It can happen that we don't have the time to look at everything the clerk and our researchers send us. I trust you. I don't believe you're setting a deadline in order to make us wait.

I suggest we make that decision in a friendly manner on Thursday. We'll have a response from colleagues on Thursday, since it appears that we're all in agreement here. I'd like it to be done in a consensual manner so I don't have to introduce a motion. If it doesn't work on Thursday, I'll table a motion.

**The Chair:** She's already been named.

**Ms. Louise Thibault:** We have until April 16 to...

[English]

**The Chair:** This isn't like one of the certificates of nomination they're asking us to re-approve or not. She's already been named, so all we can do is to have her here and ask her questions.

**Mr. Pierre Poilievre (Nepean—Carleton, CPC):** What was the role this committee established on tabling motions?

**The Chair:** When you're on the business of the committee, which is what we're doing now, you don't need to give notice for a motion.

This particular nomination was referred to us by the government, so it is part of the business of the committee. Whether you want us to speak with her or not, we can have a motion or we can just agree to have her come when we have a slot open. She was the Clerk of the Privy Council for many years; she's very well known. I forget where she was up until recently.

**An hon. member:** At the OECD.

**The Chair:** At the OECD.

I can't tell you any more than that; I don't know.

Yes, Mr. Warkentin.

**Mr. Chris Warkentin:** I don't think there's anything problematic about having her before us.

I just hadn't seen it, so I was unaware of it.

**The Chair:** Well, we can make the decision on Thursday if we wish.

**Mr. Chris Warkentin:** Perfect. Thank you.

**The Chair:** That's fine, so we'll do that.

Are there any other topics for the business of the committee?

I just remind you that Minister Fortier is coming before the committee on Thursday, and it will be televised.

Thank you.

The meeting is over.









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