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Chair

Mr. James Rajotte

Standing Committee on Finance

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• (1530)

[English]

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

We are continuing our study of the retirement income security of Canadians, pursuant to Standing Order 108(2).

We have five presenters with us here this afternoon. We have, first of all, Ms. Melanie Johannink, Mr. Paul Hanrieder, and Monsieur Sylvain de Margerie. From the Public Service Alliance of Canada, we have Patty Ducharme, the national executive vice-president. From the Communications, Energy and Paperworkers Union of Canada, we have

[Translation]

Mr. Renaud Gagné, Vice-President for Quebec.

[English]

We will have opening statements from each of you. We ask that you limit them, as close as possible, to seven minutes, and then we will go to questions from members.

We'll start with Ms. Johannink, please.

Ms. Melanie Johannink (As an Individual): Retirement security is about personal savings and pension security. Retirement security is being destroyed by unpaid severance and the loss of pension value during bankruptcies.

My name is Melanie Johannink. I am a Nortel-severed employee with 18 years of service. I was terminated with no severance pay on April 30, 2009. I am the person who initiated the petition presented in the House numerous times to change the BIA and CCAA to protect all Canadians impacted by a corporate bankruptcy. I am a mid-career hard-working Canadian victimized by bankruptcy, and my retirement is at serious risk. Unpaid severance has long-term impacts on hundreds of thousands of people, as dipping into retirement savings becomes a necessity to pay mortgages and bills to avoid personal bankruptcy while looking for new work.

I am part of a troubled generation with my future retirement heading down the drain. I currently stand to lose approximately \$250,000 in my nest egg for my golden years due to an induced bankruptcy. I am here today to explain to you that the archaic bankruptcy laws we have can literally wipe out a family's financial life savings, thus creating poverty into retirement. Lack of severance, lack of full pension owed, and immediate benefit termination deplete savings, and if this happens more than once in a career, the effects

are truly devastating. The severed are a silent group. People have lost their homes, are hurting financially, are too afraid or embarrassed to speak up, and are busy trying to re-establish their lives and find another job during this hard-hitting recession.

At the same time, executives in companies under bankruptcy are receiving massive bonuses. Where is the justice? The faster the executives throw people off the ship and into the taxpayers' purse, the bigger their bonus.

Jobs are moving offshore. Defined benefit pensions are becoming a thing of the past, and more weight is being placed on our personal savings. According to a recent RBC study, people are not saving enough money for retirement, and yet the existing bankruptcy laws are allowing the financial industry to extract our net worth, which I call reverse Robin Hood. The middle class will vanish if nothing is done to protect the people.

On the date of termination, I lost my benefits, a remaining portion of my pension, and my severance. I am downloaded onto the taxpayers' purse, and now employment insurance is my income. EI means living barely above the poverty line. During a global economic recession, a time when it is so difficult to get a new job, the government is failing to protect the EI fund. It allows employers to escape paying any severance and lets taxpaying Canadians pick up the bill, despite companies having billions of dollars on their balance sheets and paying millions of dollars in executive bonuses.

What happens to severed employees in bankruptcy is an expropriation of our net worth. The federal government is causing my loss by wiping out provincial employment protection laws that workers fought decades to get. This is institutionalized abuse. Companies are able to stay all employee-related claims. The government assists the foreign junk bond owners to reap an inappropriate share of the bankruptcy assets.

In the Nortel case, there is expected to be \$6 billion in cash from business sale proceeds and from the operations at Nortel. The government is expropriating my property by allowing the judges to interpret that it is the CCAA's intent that I should lose my money. Truly it cannot be the federal government's intent to wipe out employment standard laws in place to protect my property. Nortel had \$2.4 billion in cash when it declared bankruptcy protection. In Nortel's liquidation, my money will be taken out of the country, forcing me to use my retirement savings as supplemental income in my mid-career. People have been told to save for retirement, and yet the federal government has an archaic bankruptcy policy that is expropriating my savings and future retirement savings.

Unpaid severance and shortfall in my pension received deny me the ability to save for my own retirement. Does the federal government know that they are expropriating my savings? Some provinces have stepped up to help pensioners. However, the severed continue to lose the remaining funds on their pension and need to reach into personal retirement savings. This is devastating.

I urge you, when you are reviewing retirement security today, to look at the wide-reaching effects of people in my situation. Loss of severance means reduced retirement savings, reduced immediate savings, and significant loss to the overall economy. To create a strong economic action plan would be to put the money that belonged to the people into the people's hands, but instead we have to reach into our life savings, reach into our children's future education, delay our retirement, and lower our retirement living expectations due to the existing BIA and CCAA.

• (1535)

Is this the Canada I know and love?

The cost of capital seems to be an issue behind the failure to change the BIA and CCAA to protect Canadians. I would like to table a few reports on this.

The first is a report from Australia when that country changed its BIA equivalent to include preferred status for employees and employee-related pension claims, which confirms there was no impact on the cost of capital.

I have spoken directly with Gordon Thompson, who did a study at the World Bank and whose finding I'd like to submit as well. He found that 38 of 53 countries have minimum preferred status for employees. Canada is not one of them.

Another report is from Insolvency Institute dealing with the significance of employee-related claims for preferred status and recommendations on how to change the acts to protect employee-related claims.

The Australian paper confirms there was no issue for the cost of capital, and it's a paper that was strictly related to the cost of capital on severance payments.

Another previously tabled study also confirms that 0.16% would be the impact—a baby toe in the big ocean—with 99.84% still working to continue the cost of capital.

Credit default swaps are not a private matter. They are a public matter impacting thousands of Canadians who are harmed by

bankruptcy. Insurance is available to offset the credit losses of junk bond owners, and even to gain windfall profits, yet employees have no insurance to offset their liabilities.

In the Nortel case, the bankruptcy legal representation entered into a settlement agreement that I feel severely wronged by. Our duly appointed representation, through the law firm, led us into an agreement for all parties, the severed, the disabled, and the pensioned. To get the tuppence of \$3,000, I am now legally bound by an agreement without being consulted. To me, this is abusive. The agreement was a private agreement that did not seek my approval. What constitutes an agreement reached? The agreement did not represent the severed.

I fully believe that the federal government would have been able to make the BIA change for unpaid severance, and now that the government needs a retroactive BIA, it's imperative. An interim settlement agreement to make us equal with junk bond holders destroyed a massive campaign that had momentum to change the BIA. We are left with such little value rendered, it will be difficult to get us out of the hole we're in.

The government is legally able to make the CCAA and BIA amendments retroactive to all proceedings that began prior to the implementation of the amendment. It is paramount to protect hard-working Canadians. Bill C-501 needs to be implemented to apply to all current CCAA and BIA proceedings, including any settlement agreement that is put into force before the final plans have been sanctioned.

We are young families who are being told we aren't saving enough. We need to deplete our retirement savings to supplement our incomes due to archaic federal bankruptcy laws, and at the same time we are being reprimanded by the government for not saving. My unpaid severance is due to an abuse. It's not a compromise I should be asked to make so there can be an ongoing business concern helping others receive a windfall. It's massive amounts of wealth that junk bond holders receive, with the government gifting my money to these large and powerful investment companies.

I urge the government to act immediately so that I and thousands of other Canadians impacted through bankruptcy can live in democracy, manage our savings for retirement, and retire in dignity.

Thank you.

• (1540)

The Chair: Thank you for your presentation.

We'll now go to Mr. Hanrieder, please.

Mr. Paul Hanrieder (Professional Engineer, As an Individual): I speak to you today to present a working Canadian's perspective on the retirement income security of Canadians. My name is Paul Hanrieder, and I was a longstanding employee at Nortel who was severed with no severance in 2009.

Retirement planning is something that is part of every facet of every decision you make during your working career. Retirement saving is a balancing act many of us have been successful at, but potholes, loopholes, and other obstacles that are far beyond our control are making working Canadians' heads spin. These obstacles are caused by outdated legislation and a shift in balance between the interests of ordinary Canadians and business investment interests. Archaic government legislation is being used by business interests to shift the balance away from working Canadians to secure profits for junk bond holders. It is important to ensure a strong economy, to ensure jobs for workers, but if the Canadian workforce is destroyed and their retirement is left in ruin, we face a much larger problem.

I inject that those influences have been permitted for so long without correction that we are in a crisis. Sophisticated investors and business interests have been able to engineer a business environment that permits unloading of debts, objectifying of workers, and rampant ethical breaches, all in the pursuit of profits.

I worked for Nortel Networks as an engineering manager, and at that time knew very little about the issues I am talking about today. I accepted a layoff for downsizing with the assurance of a legislated severance. These funds would help me transition to another job and allow me not to become a burden to the taxpayers' purse. In January 2009 Nortel declared bankruptcy protection, allowing the company to forfeit any severance owed, and my foundation for transition was destroyed. At this point, the severed employee has no income and no recourse other than to immediately find employment, file for EI, and offset financial deltas from personal savings or by liquidating retirement investments. Years of retirement planning are thrown out the window. It's survival mode. A pay cheque and funds to transition you to a new job vaporize.

The average Canadian has approximately two weeks of savings. Once those savings are depleted, money is pulled from retirement savings to avoid financial distress. These moneys used from retirement savings could take several years to replenish at best. This is unrecoverable for most.

Federal CCAA or bankruptcy filing immediately allows a company to stay all pending obligations for employee-related claims and they become unsecured creditor claims. Having been through the bankruptcy process now with Nortel, I am disgusted at the whole process. The bankruptcy process, by design, is a long and drawn-out process to allow a company to restructure in the implied hope for recovery, wearing down creditors to accept less of a claim. In the case of Nortel, the executives lined their pockets with \$470 million in so-called "retention bonuses", while to pay severance would only have cost about \$165 million. We have the most to lose and the least to gain of any other creditor class. Employee-related claims should

have preferred status in bankruptcy. No other group has such claims without recourse for recovery.

The legal representation process is debilitating. There are three distinct groups that exist in the Nortel employee situation: the severed, the long-term disabled, and the pensioned. Three groups with vastly different issues, each distinct with their own concerns that were shoehorned together to have one legal counsel to represent all parties.

Things get worse. Nortel got to approve the law firm that would represent employee-related claims. How would that be fair? The unelected steering committee was asked to sign blanket non-disclosure agreements on details of their work in our interest by our legal counsel. How can our committee represent us if they can't even talk to us about what they're discussing? Legal counsel still has not identified a date to close employee-related claims. An unsecured creditor committee has been created with no employee representation even at the table—one of the largest unsecured creditor groups.

In my opinion, an artificial deadline was recently invented by Nortel where all payments to pension, health trusts, and benefit plans were to stop by the end of March. This created a distinct fear and uncertainty within the select few representing us, which forced retired and some disabled people to accept a settlement agreement that gave up substantial potential gains by the employee group. It honestly felt like a gun was held to our heads and we were forced to choose between two equally bad options. In the end, the agreement forced us, without a vote or even a poll of agreement from the so-called "steering committee", to give up all rights against Nortel and the potential future BIA changes we have been working to get with the government.

• (1545)

We are outraged, and feel that we have been sold down the river for issues that are of no concern to the severed. Nortel has saved approximately \$1.2 billion—an outrageous dollar amount—by successfully playing this gambit. Who's protecting the hard-working Canadian during this process?

The severed are disillusioned and poorer than ever, and have nowhere to turn. Our very legal system that supposedly has checks and balances built in to ensure that this cannot happen has been used to permit this to occur.

Yes, we can find yet another lawyer to represent us, but without a lottery win, this is extremely unlikely, as the Nortel legal bill is already over \$290 million and growing. Why did they not just pay the obligation rather than paying it to lawyers to fight us? Something is really wrong here.

You may ask how this applies to retirement. Many say, "You have half your working life ahead of you, you can recover." I strongly object to this logic. This is an emotional and financial upheaval that many will never recover from, with wide-reaching effects. The loss of these earned benefits means that we cannot retrain. We have no money to be able to wait for the right job. We end up taking anything we can find.

Our ability to re-plot our course has been damaged forever. Many of us hang our heads in humiliation and disgust that this has been allowed to happen. We, however, have no financial means to fight this. Some, like me, will speak out in the hope that someone will hear and will eliminate this injustice, but most will plod on in search of a foothold to attempt to recover.

These are but a few of the many items that still exist in the minefield we have uncovered. In the interest of time, I'll provide some of those additional issues in an addendum to this presentation text. If anyone would like to discuss them, please feel free to contact me. They're on the following pages.

We need your help to make retroactive amendments to key legislation in Canada now to ensure priority of the interests of ordinary working Canadians who have no other means to legally protect their own interests. This is a situation that cannot be resolved without government involvement. That is why I've come here to speak to you today. Without these changes, how can any Canadian worker sleep at night? This could happen to them tomorrow.

I would like to thank you all for your time and attention in listening to my concerns today, and I welcome any questions you may have going forward.

Thank you.

The Chair: Thank you for your presentation.

[Translation]

Mr. de Margerie, please proceed.

Mr. Sylvain de Margerie (As an Individual): Ladies and gentlemen, good afternoon.

My brief is available in French, but I intend to make my presentation in English.

[English]

Dear sirs and madams, I am Sylvain de Margerie. I am speaking on behalf of my spouse, Doris de Margerie, a Nortel long-term disability beneficiary. My daughter is also disabled.

I was for a long time, and still am, an executive and director in various corporations, so I can speak with some confidence about the impact on the private sector of any legislation you may make.

The intent of my brief is to ensure that any consideration of retirement security deals with retirement in its broadest sense, which includes long-term disability pensions. Doing otherwise will lead to discriminatory treatment. Furthermore, there are means within the government to correct these issues.

First, this committee is charged with looking at retirement income security for Canadians. I will ask you first to look at the definition of

pension and retirement. From the *Encyclopaedia Britannica* we have this definition:

[a] series of periodic money payments made to a person who retires from employment because of age, disability, or the completion of an agreed span of service. The payments generally continue for the remainder of the natural life of the recipient, and sometimes to a widow or other survivor.

Similar definitions can be found in many other reference texts, in legal documents, and in jurisprudence.

The point I want to make is that although age and years of service are criteria by which most of us become eligible for retirement pensions, long-term disability is also one of the criteria that hits a few of us. If you remove that from your consideration, you are only looking at part of the problem.

In relative terms, long-term disability pensioners represent about 2.5% of the total number of pensioners. That's the number I get from Nortel. There are about 400 people on long-term disability and about 17,000 on pensions. The precedent for considering retirement because of disability and old age together exists in our very own CPP and in the Quebec RRQ. Since 1966, these programs have included both facets of retirement. Many other countries do so also.

I'll go into the consequence of inequitable pension treatment and of not having this overall view.

Canadian provinces have instituted legislation to protect employer-sponsored defined benefit pensions but have chosen, either in the text of their legislation or through its interpretation, to exclude pensions associated with disability. As a result, long-term disability pension benefits are unregulated, and employees who have become disabled can find themselves with no pension fund or income guarantee whatsoever. Unregulated pensions are vulnerable mainly in the case of sponsor insolvency. When everything goes well, you get your money, but you're vulnerable to insolvency.

For example, in the Nortel insolvency, recipients of long-term disability pensions find themselves with no income security of any kind. All of our income benefits from Nortel are due to stop. In contrast, other Nortel pensioners will recover about 80% of their revenue. Approximately 69% will come from the underfunded but regulated pension fund and an average of about 10% will come from the Ontario Pension Benefits Guarantee Fund.

Yet Nortel employees on LTD contributed to a plan that in all aspects was a defined benefit pension plan. Each month, the employer and the employees contributed an agreed upon amount to a plan that promised to pay these employees a portion of their salaries should they ever be forced into retirement because of disability.

Who are the long-term disability pensioners? They are Canadians who were promised by their employer the security of a defined benefit pension if they became disabled. Most of these plans included employee contributions, as in any other pension plan.

• (1550)

These people are also younger than most pensioners, since by definition they had not reached the eligible criterion for old age pension. This means that in most cases they are also poorer because they were stopped in mid-life by disability, having no savings, having still young families to care for, having no assets, and having liabilities, such as student loans, still left to pay.

They are also, by definition, disabled by conditions so crippling that they cannot work. They include victims of cancer, car accidents, surgical procedures gone wrong, strokes, multiple sclerosis, schizophrenia, and other mental disorders, to name but a few. Thus they are doubly poor, as they typically must bear extraordinary medical costs and often need to pay others to care for them and their families.

Long-term disability pensioners also had no choice in the matter of retirement, in contrast to many other pensioners, who can choose when to retire or who have the option of finding other employment to compensate for the shortfall in pension revenue.

The impact of income security is much more severe on long-term disability pensioners than on others. It affects them for a much longer period of their life, since they start retirement earlier. It also worsens what is already a severely degraded quality of life. Many once dynamic and proud contributors to Canada's economy, who had paid for income security, are now at risk of the worst kind of poverty.

What is the cost of disability pension? The point I want to make here is that this is affordable by any means. The cost of insuring income benefit promises of employers must be borne by the private sector as part of the cost of doing business. This is only fair and relieves the public purse of the burden of supporting many of our disabled.

Insuring the income security of long-term disability pensioners is not prohibitive by any means. This is so because a relatively small number of Canadians find themselves disabled, for which we are fortunate. Using CPP as a benchmark, the cost of disability benefits is only at .02% of the total cost of the pension program. This is by far not something that is going to crush industry or anybody else if these payments are forced upon them.

The federal government controls the outcome. As pointed out above, income security for long-term disability is vulnerable mostly in corporate insolvencies. Even if the provinces had stronger regulations for protecting LTD pensions, the Companies' Creditors Arrangement Act and the Bankruptcy and Insolvency Act supersede provincial laws and are the only reliable backstop to ensure that income security for those on long-term disability.

Several options exist, and among them are to provide unconditional priority to claims related to unregulated pension plans, such as those for long-term disability; second, to place a responsibility with directors and officers of companies for any remaining shortfall and funding of unregulated pension plans, such as for long-term disability. This is actually very similar to the position of director entailing liability for payroll remittances by a corporation.

Whatever solution is adopted, special attention must be paid to unregulated long-term disability pension plans, as they suffer much more prejudice. It would be unconscionable to only look at the

problems and solutions for 97.5% of Canadians, letting 2.5% flounder in poverty because they have been forced into retirement by disability.

The Canadian government has the obligation, under its own Charter of Human Rights and Freedoms, and the means, through its CCAA and BIA legislation, to assure the income security of employer-sponsored long-term disability pensions.

• (1555)

The recommendations of this committee depend largely on the meaning you attribute to "retirement". If, in this meaning, you exclude the 2.5% of people who retire because of disability, you are entrenching the systematic discrimination of this group.

Thank you.

The Chair: Thank you for your presentation.

We'll now go to PSAC. Madame Ducharme, please.

Ms. Patty Ducharme (National Executive Vice-President, Executive Office, Public Service Alliance of Canada): Thank you, Mr. Chairperson and committee members, for providing the Public Service Alliance of Canada, the PSAC, a union representing approximately 172,000 members, the opportunity to appear before this committee today to discuss the retirement income security of Canadians. Unfortunately, my presentation wasn't finalized in writing before leaving the office, so I will have copies to the clerk in French and English first thing tomorrow morning.

Before starting my presentation, though, I'd like to acknowledge the human tragedy of the Nortel bankruptcy and the urgent need for the Government of Canada to do the right thing, not just for these workers but for all workers in situations where companies do go bankrupt. Bankruptcy should not be carried out on the backs of workers and at the human cost of workers.

The majority of our members pay into and ultimately receive benefits under the Public Service Superannuation Act, the PSSA. The PSSA is a final average earnings defined benefit pension plan and is funded through contributions from both employers and employees. Both the contribution rate and benefit formula under the PSSA are integrated with the provisions of the Canada and Quebec pension plans. Pension benefit payments under the PSSA are indexed each year to the cost of living. The PSSA contains provisions that provide the opportunity for participants to retire with an unreduced pension after having reached at least the age of 55 with a minimum of 30 years of pensionable service. It is with some consternation that PSAC has observed a number of organizations in Canada diverting attention away from the public debate on retirement security in Canada using criticisms of the pension entitlements of federal public sector employees. These efforts are also accompanied by the perpetuation of myths concerning the actual pension entitlements of Canadian public sector employees.

First and foremost, PSAC would emphasize to the members of this committee that according to the most recent report of the Office of the Chief Actuary of Canada, tabled in the House of Commons in November of 2009, the federal public service pension plan is in an actuarial surplus position of approximately \$4.6 billion for service accrued prior to April 1, 2000, and \$972 million for service accrued subsequent to April 1, 2000. Consequently, the results of this actuarial evaluation would indicate that there are no immediate financial issues with the federal public service pension plan that would require any further infusion of public funds.

Secondly, in accordance with the Public Sector Pension Investment Board Act, the contribution rates of employees to the federal public service pension plan will have increased by approximately 60% over the period from 2005 to 2013. A significant portion of the current salary of public service employees is deducted as pension contributions to provide for future retirement benefits under the federal public service pension plan as prescribed by the act.

Finally, as indicated in the latest report on the public service pension plan, the average annual pension provided under the PSSA is \$24,506 a year. It is the position of PSAC that PSSA plans are on sound financial footings and do not need to be changed.

PSAC has long advocated for a strengthening of the public pension system in Canada to ensure a dignified retirement for all Canadians. The resolve of PSAC on this matter has only been intensified in response to the weaknesses and vulnerabilities of the pension entitlements of Canadians that have resulted from the financial crisis and recession of 2008 and 2009.

• (1600)

PSAC stands strongly behind the current Retirement Security for Everyone campaign, the campaign of the Canadian labour movement that was presented to this committee by the Canadian Labour Congress. This campaign includes, for the doubling of future Canada Pension Plan benefit entitlements, a one-time 15% increase in the guaranteed income supplement and a new national system of pension insurance.

These proposals are necessary and justifiable. For example, the most recent data from Service Canada indicates that 1.6 million seniors across Canada collected the guaranteed income supplement with their old age security pensions. This means that they earn less than \$15,000 per year.

In addition, all available evidence indicates that CPP is a primary public program providing retired Canadians with a standard of living above the poverty level. In comparison with other retirement income instruments in Canada, the CPP represents a cost-effective and efficient mechanism for providing Canadians with a secure post-retirement income.

In order to ease the transition, the labour movement proposes that over a seven-year period, employer and employee contribution rates be increased and that the yearly basic exemption for earnings subject to CPP contributions be increased from the current \$3,500 to \$7,000.

As federal Finance Minister Jim Flaherty stated on March 27, 2010, at the pension summit co-sponsored by the CLC and the Ontario Federation of Labour, the current pension challenges

confronting Canadians will necessitate a generational shift in required policy.

Canadians have grown increasingly tired and wary of quick-fix solutions to complex problems. While it is true that the full implementation of the proposals for the CPP will require 40 years to complete, retiring Canadians would experience incremental CPP benefit increases immediately. PSAC is confident that the Canadian public would be receptive to such an approach.

In closing, I would again like to thank the committee for the opportunity to present these viewpoints today, and I would again urge you to do the right thing for the Nortel workers.

• (1605)

The Chair: Thank you very much, Ms. Ducharme.

We'll now have Monsieur Gagné, *s'il vous plaît*.

[*Translation*]

Mr. Renaud Gagné (Vice-President, Quebec, Communications, Energy and Paperworkers Union of Canada): Good afternoon, ladies and gentlemen.

I would like to begin by thanking you for your invitation to participate in this important study. Indeed, as Vice-President of the Communications, Energy and Paperworkers Union of Canada, I am always concerned about issues that relate to retirement plans, and let us just say that I am even more concerned these days. I will have an opportunity to explain why a little later in my presentation.

As the name suggests, our union represents members from three major areas: telecommunications and communications, with companies like Bell and all its affiliates; energy, and here our members work for such petrochemical companies as Petro-Canada, Shell and Ultramar; and paper, forestry and wood product manufacturing, in all its forms. Within the union, my role relates to this last sector for the Quebec region. Altogether, we represent more than 45,000 members in Quebec. As you can see, we are primarily concentrated in the private sector.

Let us take a moment to talk about public plans. First of all, although I do not intend to provide the historical background of public plans at the federal level and in Quebec, as others have done that previously, I do want to lay out a couple of initial premises. For one thing, as far as our union organization is concerned, there is no doubt that the best way of providing a decent income to the population as a whole, on a universal and equitable basis, is through public plans.

As regards supplemental pension plans, our union experience shows that people do not spontaneously or easily contribute to a supplemental pension plan, even when the offer is attractive. The only example I can provide is that of the FTQ Solidarity Fund and the tax benefit it provides in terms of tax credits for share purchases—a benefit of 30%. Another example would be the approximately 40% in tax credits an individual receives through RRSPs, depending on income, but with respect to which we find ourselves having to explain to and convince members and the public in general just how important it is to prepare for retirement.

Whatever the range of products and options we are seeing today, there are seniors living in conditions that are absolutely unacceptable. In my opinion, it is unthinkable that the society in which I live would choose to turn a blind eye to the money problems seniors are facing. Recently, an absolutely astounding story on the program *L'épicerie* on Radio-Canada talked about the fact that thousands and thousands of seniors currently suffer from inadequate nutrition, and not always because of poor lifestyles, since money is a major factor. No one should end up in a situation like that. That is why more generous public pension plans would be the best way of ensuring that seniors can rely on a decent income.

I would now like to turn my attention to the introduction of private pension plans. Given the current situation, for quite some time now we, in our various union organizations, have focused on the introduction of defined benefit pension plans, which we consider to be the most appropriate in terms of providing a stable and predictable retirement income. It should be said that we have worked so diligently that, in a number of industry sectors where we represent members, we have succeeded in introducing sound pension plans for the benefit of those working in these industries. Unfortunately, the financial and economic problems we have faced in recent years have seriously disrupted the plans in place, in some cases resulting in changes, when some were turned into defined contribution plans or were simply terminated.

I have two comments to make with respect to that new reality. First of all, I want to say, as others have before me, that it simply is not possible to pin all the problems associated with private pension plans on the difficult economic context we have experienced recently. Although the crisis may have precipitated these events, it is important to emphasize the lack of foresight and planning, as well as premium holidays—which certain employers made a habit of—which weakened these same plans. At some point, market returns were meeting plan requirements so well that some employers forgot that, in years when the stock market was not doing so well, they might have to pay out more. When recess was over and the bell rang, the reality of the situation hit hard.

Secondly, as in the past, it was again the unions being innovative by developing a new pension plan known in Quebec as the “member-funded pension plan”, which is, in fact, a type of defined benefit plan. We are already well acquainted with it, but the difference is that there may be multiple employers involved, as workers from different companies are grouped together under one plan and, at the same time, employers are no longer responsible for any deficit that may occur.

•(1610)

In that case, significant reserves need to be constituted in order to respond to stock market fluctuations. In that respect, we would make the same recommendations as the Fédération des travailleurs et travailleuses du Québec with respect to the introduction of such plans in areas under federal jurisdiction. Indeed, the member-funded plan has required regulatory adjustments that have been made in Quebec, but not at the federal level.

I would like to move now to the final part of my presentation, which has to do with the application of Bill C-36, the Companies' Creditors Arrangements Act, or CCAA. As I indicated previously, I

have special responsibility for the forestry and wood product manufacturing sector. That basically refers to members working in forestry operations, sawmills, panel plants, paperboard and paper mills. I don't think I need to provide a lengthy explanation regarding the disruption that has been occurring in this economic sector for years now. Whether it is because of the economic context, the higher cost of energy, problems with the softwood lumber agreement or the collapse of the paper market—and I'm sure I have forgotten some others—you are aware that the major forestry companies are now in an extremely precarious situation. In fact, in Quebec we have four of the largest employers and, as if the rest was not enough, they are under the protection of the CCAA. I am referring here to Smurfit-Stone, AbitibiBowater, Fraser Papers Inc. and White Birch Papers. These four companies alone employ 7,000 workers who are members of our union. And that does not include these companies' 10,000 retirees, 3,000 of whom I have met with all across Quebec.

I will spare you the technical details, but suffice it to say that enforcing that legislation is extremely complex and makes our life extraordinarily difficult. To be perfectly frank, I would say that both our members' working conditions and pension plans are in doubt. I am sure you have heard about this: people at Fraser Papers Inc.—both current and retired workers—have lost almost 40% of the value of their current and future retirement benefits; there have been wage cuts of more than 3%; the defined benefit pension plan was scrapped, even though the owner, Brookfield Asset Management, made profits of more than \$680 million in 2009. At White Birch Papers, which has three major plants in Quebec, as well as 1,000 active workers and 1,600 retirees, the plans are only 67% solvent. I will stop my description of the disaster there, because I think you have understood my point: it is absolutely critical that pension plans be better protected and be deemed to constitute privileged claims when problems arise.

Is it normal for a worker who is on the verge of retiring, and who has contributed to a pension plan for 30 years, to now be told that the value of his pension benefits has dropped by 5%, 10% or even 40%? Is it normal for retirees who invested throughout their active life in their pension plan to suddenly find themselves without income? At a time when people were being affected by cutbacks, Smurfit-Stone was paying \$47 million in bonuses to retain its managers and simply stopped making special contributions.

I'm sure you can understand that, to my own way of thinking, that is still completely unacceptable. And it is no more acceptable for workers who are owed money in the form of termination bonuses to find themselves out of luck because the company is subject to the CCAA. That is currently the case for the AbitibiBowater plants in Beauré and Dolbeau, in Lac-Saint-Jean. Vigils are being held to prevent the company from transferring or liquidating equipment for its own benefit.

I realize I have deviated somewhat from the pension plan issue, but this bolsters the recommendation we have made many times to the federal government, namely that quick action is needed to amend the CCAA and the regulations. It is important that debts to workers not be taken hostage, like any other debt, and that they be settled retroactively.

I wanted to make you aware of the reality we are currently facing. This is something that must be corrected, so that the CCAA can never again be used as a loophole to escape obligations under a pension plan. Even more recently, Kruger split the company in order to group its least productive paper divisions. Our fear is that the company will apply for CCAA protection in order to circumvent solvency requirements. In the hope that you will act on our recommendations, I thank you for this opportunity to appear.

• (1615)

The Chair: Thank you for your presentation.

[English]

We will start members' questions with Mr. McCallum, please, for seven minutes.

Hon. John McCallum (Markham—Unionville, Lib.): Thank you, Mr. Chair.

[Translation]

I would like to thank all our witnesses for being with us today.

[English]

I'd like to begin with Ms. Ducharme. You mentioned that there was a large increase in the contribution rates of employees until 2013, or some such year.

Ms. Patty Ducharme: Yes.

Hon. John McCallum: I've read that certain provinces have a fifty-fifty contribution rate between employer and employee, less so in the federal government. Is it the case that these large increases are taking the federal system closer to that fifty-fifty sharing?

Ms. Patty Ducharme: It definitely takes it closer to a fifty-fifty share, but it takes it up to a 0.42% share.

Hon. John McCallum: What is it now?

Ms. Patty Ducharme: It's in transition. I believe it's close to 0.4% now, but each year it's moving up. In 2013 it will be at the full 0.42%.

Hon. John McCallum: A few years ago, I think it was more like 0.35%, or a third. So it's been going up over quite a number of years.

Ms. Patty Ducharme: Yes, that's correct.

Hon. John McCallum: Okay.

I'd like to clarify another point you mentioned. I think there's been some misrepresentation of this plan for the CPP that would double the benefits. You said there would be a transition period of 40 years—that's also my understanding—so that the benefits would increase gradually, and it would take 40 years until they were fully implemented. Therefore, there is no cross-subsidization across the generations. Is that correct?

Ms. Patty Ducharme: The way it would work is that the increases would happen incrementally. People would see increases to their benefits incrementally.

Hon. John McCallum: Right, but they'd only get those benefits as they were earned. They wouldn't be subsidized by younger people, to my understanding.

Ms. Patty Ducharme: I actually can't answer that question, Mr. McCallum.

Hon. John McCallum: Okay. Well, thank you.

Mr. de Margerie, I really liked your presentation.

It happens that I asked a question about this in question period today. We have a bill in the Senate, under Senator Eggleton. I imagine you're aware of it. I deliberately said in my question that I was not being partisan, but if all parties were to agree, such a bill could pass in a matter of days.

So I'm hoping, not on partisan grounds but on humanitarian grounds, that the government might agree. I'm being very polite to the government at this point. I didn't really get an answer yes or no, but I'm hoping still that it might have a chance for support.

As you point out, you're not talking about something that's very big or very costly, but it's something that's extremely important for people who are among the most vulnerable.

Just to confirm, my understanding is that there are approximately 400 such cases in Nortel, but there would clearly be cases in other companies that could one day go bankrupt; that those people currently earn something on the order of \$20,000 to \$30,000 per year; that they stand to lose 85¢ on the dollar, approximately; and that they also stand to lose their medical payments, which are, by definition, crucial for people on long-term disability.

Am I at least in the right ballpark on those figures?

Mr. Sylvain de Margerie: I'm very happy that you understand our problems so well.

Yes, you're exactly right, the salaries are about what you have discussed. One difference between LTD beneficiaries and old age retirees is that the LTD folks have these small revenues, but they still have a family to run. They have kids who will go to university. Clearly, those kinds of revenues, when put into the context of the obligations you have in mid-life, are completely inadequate. As you've said, they're completely vulnerable to bankruptcies.

The 85% cut in their revenues assumes, essentially, that we will get a 15% dividend from the bankruptcy of Nortel. But we haven't seen that yet. If we get less than 15%, the cut will be more than 85%—

• (1620)

Hon. John McCallum: I think the first priority is a simple one: to save the current situation.

Mr. Sylvain de Margerie: Yes.

Hon. John McCallum: But going forward, it might also be good to have something else, and that is to make it compulsory that companies purchase insurance for long-term disability and/or set up an appropriate fund. If that had happened, we wouldn't have had this problem.

Going forward, would you agree that this would be a good change to the law?

Mr. Sylvain de Margerie: I would agree that would be good, but it's a provincial concern. I would be worried about that becoming a way to shift responsibility back to the provinces. I think the provinces and the federal government share the responsibility. They both have a Charter of Rights and Freedoms.

We've seen some cases where the CCAA and BIA rules have superceded provincial laws, for example, in terms of severance. I think the responsibility is in both places.

Putting in strong federal laws to obligate companies or directors to pay into those funds first when there's a bankruptcy would probably make them ensure it to begin with and they wouldn't be in that situation.

Hon. John McCallum: I'm told I have one minute left.

I was going to see if Mr. Hanrieder or Ms. Johannink have comments relative to what we've been saying.

I think you told me there's a total of one minute.

The Chair: You have about 30 seconds now.

Do one of you want to address that?

Mr. Paul Hanrieder: Go ahead, Melanie.

Ms. Melanie Johannink: As far as the LTDs, I think the other issue is that they are also part of a settlement agreement that is signed. The bill that needs to be put in also probably needs to be retroactive so that there isn't an impact against the settlement agreement that is signed.

They are also going to be losing their benefits by the end of this year. If something can be done to help them on their side, I know they significantly need the help.

Severed employees are a different issue. We're very distinct groups.

Perhaps something can be put in place for them by then, because I'm sure their drug plans are very costly.

The Chair: Thank you, Mr. McCallum.

Monsieur Paillé, s'il vous plaît.

[Translation]

Mr. Daniel Paillé (Hochelaga, BQ): Thank you all for appearing today.

One of the important aspects of this kind of parliamentary committee is the opportunity it provides for witnesses to raise awareness among legislators and provide them with multiple examples. I think you perform that role very well. I agree with Mr. Gagné when he says that it is easy to blame the economic context—a lot of people have talked about that—the recession and the current crisis. I believe a lot of companies and governments are saying that it is the fault of the recession and the current crisis. But we should be wary of such assertions, and I want to thank you for underscoring that aspect of the problem. Too often, people say that someone else is at fault. And because it is all too easy to blame things on someone else, people end up losing sight of what originally caused the international crisis.

You did not really refer to another urban legend. Indeed, it is being said that if we determine that workers and their pension plans are preferred creditors, this will prevent companies from securing proper financing. I am sure you have heard that kind of reaction, where people say that companies would pay too much for their financing if creditors saw that pension plans were included among the preferred assets. I am sure you know this, but I encourage you to keep on

telling people that that is bullshit. If that language is deemed unparliamentary, I will be called on it. And, while it is true that this is an additional risk, the job of portfolio managers who make loans or handle registrations in a company is to deal with that kind of risk. I invite you to comment, if you are so inclined.

I see that our government colleagues are on the lookout. This is urgent. Ms. Johannink rang the alarm bell, saying there is a need for quick action. You also referred to retroactivity. That is something that always concerns me. When does that retroactivity begin? There will always be cases of workers or retirees who would have been eligible had the date chosen been the 31st of December, rather than January 1, for example. There is Nortel, of course. It is a famous case, but there are other cases in Quebec and Canada. So, there is a real problem.

I don't know whether you have given this any thought, but I am stunned to hear the Minister of Finance or the government saying they will hold consultations, either in committee or within government. The Minister of Finance says that he is going to consult people, but that his mind is already made up and that things are not going to move too quickly. I want to thank you for coming to tell us that a solution is urgently needed.

I also have some questions about page 5 of Mr. de Margerie's brief, which you might have provided us in French, if I may say so. In the third paragraph on page 5, it says that Nortel pensioners will recover about 80% of their revenue. I would like you to explain that, because that does not jibe with what the people on your right have been saying.

• (1625)

Mr. Sylvain de Margerie: Yes, I can answer that question.

The Nortel Retirees Pension Fund is 69% funded. Therefore, they have 69% to begin with. Furthermore, in Ontario—but, unfortunately, not in Quebec—there is a pension benefit guarantee which, on average—if you make the calculation based on average salaries—gives them an additional 10%. Therefore, 69% plus 10% is 79%, which is very close to 80%.

Mr. Daniel Paillé: On the other hand, Nortel employees are saying that they are suffering huge losses in their pension fund, whereas a retiree may only lose 40% or 50% of his pension fund. That does not jibe with the 80% you have referred to.

Mr. Sylvain de Margerie: No, I don't think many Nortel retirees are saying that they will lose 40% of their pension, if retirees on long-term disability are excluded. We, of course, are losing everything. However, retirees who are 65 years of age and over or who retired because of their age are not so badly off. At the same time, it certainly is unfortunate that they will lose 20%.

Mr. Daniel Paillé: Yes.

As regards disability, my thought—and our report will probably reflect this—is that there are three parts to this. First, the basic plan. You clearly explained that, in Canada, there should be a basic plan, as Mr. Gagné has pointed out, that provide a minimum level of income. After that, there are private sector supplemental pension plans. Finally, there is everything relating to insurance.

I agree with my Liberal colleague that this should be considered separately. We are talking about a situation where someone buys insurance for an individual who could become disabled, and when the disability occurs, unfortunately, there is no more money left because that insurance has been rolled in with the pension fund.

The Chair: You have 30 seconds left.

Mr. Daniel Paillé: Okay.

I would just like to know whether you agree with the idea of making room for businesses that fail inside the Canada and Quebec pension plans. That would be for a period of five years.

[English]

The Chair: Mr. de Margerie.

[Translation]

Mr. Sylvain de Margerie: I am sure that makes sense. That is the bare minimum.

[English]

Ms. Melanie Johannink: On the severed side, we've lost our value. I don't know whether it's a pension adjustment reversal that we'd need to happen, because we've also lost money on our side as well, or if that goes into an orphanage. Really, you have to pull the money out of the estate, because that's where the money is, instead of putting the liability on the government.

• (1630)

Mr. Paul Hanrieder: If we don't take our pension prior to the company closing, we don't get any pension guarantee on any funds we have. We take the full loss as an employee.

The Chair: Very briefly, Mr. Gagné.

[Translation]

Mr. Renaud Gagné: I would like to make a comment.

In New Brunswick, Bill 51 set out an eight-year period for Fraser Papers, so that they could invest the money and try and secure a 4% improvement in pension benefits. There is no certainty that will happen, but there is a minimum guaranteed period of at least eight years.

[English]

The Chair: Ms. Ducharme.

Ms. Patty Ducharme: On that, we protect the bank deposits of Canadians by having insurance. So you have to ask yourself, why don't we do the same for pension entitlements for workers? Deposit insurance has not undermined business over the long term, so why would an insurance on pension entitlements undermine business likewise?

The Chair: Thank you.

We'll move on to Ms. Block, please. You have seven minutes.

Mrs. Kelly Block (Saskatoon—Rosetown—Biggar, CPC): Thank you very much, Mr. Chair.

I'd like to thank each one of you for coming today and meeting with us. As a fairly new member of the finance committee studying these things, I know that these are complex issues, and I really appreciate Ms. Ducharme's observations that these are complex issues that need more than quick-fix solutions. I appreciate that.

I want to take a little bit of time to state that I believe this is why our finance committee has been consulting with numerous stakeholders and individual Canadians like yourselves to get feedback from you on these issues. Also, as was noted by my colleague, our Minister of Finance and the parliamentary secretary have begun cross-country consultations. We have a Senate committee that is studying this very serious issue, as well as at least six provinces that are doing a study provincially.

I want to get a sense from you folks here—and I would open it up to anyone here at the table—if in your view it is important for us to be consulting with Canadians at this time.

The Chair: Is that directed at anyone specifically?

Mrs. Kelly Block: We could start with Ms. Ducharme.

Ms. Patty Ducharme: Sure.

I think it's critically important that consultation be taking place with Canadians, with organizations that represent Canadian workers, so unions, associations, and not just with corporate Canada. I think it's critically important as well that we look at this as a collective responsibility as opposed to individualizing the problem.

I know there are currently consultations taking place across Canada about financial literacy. Really, I have to question if a company like Nortel can go bankrupt and the pensioners there are going to have limited access or significantly reduced access to their pension funds. What's the likelihood that Joe or Betty Bop are going to be able to prepare themselves for their long-term retirement?

I think as a society we have to face the fact that we need to overhaul our public pension plan and access to that so that all Canadians are entitled to a minimal standard of living in retirement. At present, it would be our position that when we're looking at less than \$15,000 for people to get the GIS, we're not looking after seniors in Canada.

Mrs. Kelly Block: Thank you.

Ms. Johannink, would you mind?

Ms. Melanie Johannink: Sure. There are a few issues in my head.

There are going to be a lot of people retiring in the next 15 to 20 years, so you have to look at the broader scope, not just today and into the future. Find out what's wrong, because issues like companies going into bankruptcy do cause a lot of financial hardship for people my age, who have to pay for kids' education. That money just significantly depletes.

There has to be a full, all-encompassing review of what you're doing. If you just focus on the pensions, you're missing out on people such as the disabled, who have kids and who can't work, and then there are the people like me, who are losing a lot of money for their future retirement. I don't want to be a burden on any types of programs when I'm older.

• (1635)

Mrs. Kelly Block: Thank you.

I appreciate that, and I agree with you, which is why I'm disappointed to have read today in Heather Scofield's column in the Canadian Press that the Liberals say that the Conservatives have made up their minds and are merely holding useless public consultations to play for time.

This is an important issue, and we need to take the time to hear from Canadians, as you said, on the very complex and multi-layered issues we have in front of us.

I do want to ask you another question, Ms. Johannink. You stated in your opening remarks that the federal government is causing your loss by wiping out provincial employment protection laws that workers fought decades to get. I need to understand better what it is you're referring to there, because I'm not sure what you meant by that.

Ms. Melanie Johannink: Okay, sure.

When a company declares bankruptcy, you lose all of the Employment Standards Act minimum, which is, on average, a week per year, plus six weeks if you've been there over a certain number of years. So I lost 26 weeks at the table when they declared bankruptcy. I walked out and I was right on the taxpayers' liability. So all those years of hard work to work towards getting an employment standards act in provincial legislation is gone. That completely disappears federally.

Mrs. Kelly Block: Thank you.

Mr. Paul Hanrieder: Federal bankruptcy overrules all provincial legislation, and unfortunately, those amounts are protected provincially but not federally. It's a tactic for a bankrupt company to use federal protection to overcome those.

The other gentleman, Mr. Paillé, said.... I really think we need to further enforce these creditor requirements, because people are using them to throw these obligations out the window. If there was more of a requirement in provincial legislation, it would force people to reconsider bankruptcy, knowing that they have those costs.

Mrs. Kelly Block: Thank you.

Do I have any time left?

The Chair: Yes, you have a minute left.

Mrs. Kelly Block: Okay, one more question.

I guess I would throw this question out, again to either Mr. Gagné or Ms. Ducharme.

Are you aware of another country that provides for an unlimited preferred claim for unfunded pension liability?

The Chair: We have three people who want to comment.

[*Translation*]

Mr. Gagné, please.

Mr. Renaud Gagné: I believe that our neighbours to the South protect pensions up to \$56,000 or \$59,000. That is a great improvement in terms of protection. If we had that in the pulp and paper industry, I believe we would cover the vast majority of our members. And we don't need to go very far to see that. In Ontario, they already have additional protection that is not available in Quebec.

As was mentioned earlier, we have all kinds of legislation in Quebec on labour standards, notice of termination, layoff pay, and even the Labour Code, in cases of dismissal. We come before Judge Otis, who takes 20 minutes to decide whether someone should be in or not. If we don't defend that person, we can be prosecuted under Quebec legislation. So, things are really becoming very complex.

Mr. Sylvain de Margerie: The situation is about the same in the United Kingdom as it is in the United States. For example, the pension protection mechanism they use there does not involve preferential status in cases of bankruptcy, but rather, a government guarantee. In that case, the government is the one that goes after the company as a creditor.

Having said that, the situation is completely different when the US government sits down at the table to negotiate in cases of insolvency. There we are definitely not in an equitable position. What we are concerned about is that all of Nortel's assets will move south through the influence of the US government, because the Government of Canada is doing absolutely nothing.

[*English*]

The Chair: *Merci.*

Ms. Ducharme, do you want to add something very briefly?

Ms. Patty Ducharme: No. I'm quite satisfied with the answers that have been given by the other witnesses.

The Chair: Thank you.

Ms. Melanie Johannink: I can add to that.

The Chair: Sorry, members are limited in their time, and everybody is running over their time today—that is unless there is unanimous consent to allow it. She's at about eight minutes plus. Do colleagues want to hear from...?

Mr. Marston, you do. Okay.

• (1640)

Ms. Melanie Johannink: I have brought a study, if you wouldn't mind me tabling it.

There are three of them. One is from Australia. They moved over to preferred status, and they didn't see any change in the cost of credit. I have that and I can table it.

Mr. Mike Wallace (Burlington, CPC): What year was that?

Ms. Melanie Johannink: It was 2005.

The Chair: Can you provide that to the clerk? Then we'll pass it along.

Ms. Melanie Johannink: I will, yes.

The Chair: Thank you.

Go ahead, Mr. Marston, please.

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

I just want to say, in answer to Ms. Block's question, that the United States, Britain, Australia, and Japan have it in one form or another. In the Netherlands, the government itself backs their pension plans. There's a variety. And as the young lady has just indicated, Australia is still considered the fourth best country in the world to invest in, so they haven't been damaged by this at all.

On June 16, the NDP had an opposition day motion, which set out a road map, and in that motion we talked about a national pension insurance plan. I think it was Ms. Ducharme who said that we insure our cars, our homes, and us, so why not pensions? It's logical. We talked about the doubling of the CPP and investments in GIS and old age security. The reason I raise that is that the motion passed unanimously in the House. Now, mind you, it didn't change law, obviously, but it set out a road map as to where we should try to get to. At that time, the members were in agreement with it.

Ms. Ducharme, I'd like to put a question to you, but before I do, I'll interrupt myself.

To our Liberal colleagues here, the NDP will support Mr. Eggleton's bill. I put a note off to Judy Sgro to that effect earlier. We'd be most pleased to.

There are two CPP doubling plans out there. One is by the Liberals, which talks about a supplementary plan that attaches to CPP, which would require new administration and would be voluntary. The NDP has proposed that we increase the core assets of CPP, with no additional administration, but that it be mandatory. Which would be better?

Ms. Patty Ducharme: The first was a doubling of the plan, and the second was...?

Mr. Wayne Marston: It's a supplementary plan. The Liberals have proposed an additional premium to fund it.

Ms. Patty Ducharme: I think a mandatory plan would meet the needs of Canadians. Quite frankly, I think when we leave it in the hands of people to make a decision—and we're looking at young families with kids, with mortgages, with student loans, with assorted debt—having a mandatory plan definitely puts us all onside in making arrangements for our golden years.

Mr. Wayne Marston: Further on the LTD issue, when speaking to some people, they've said it would take \$200 million to buy annuities to cover the losses for the 400 people at Nortel. I think we heard earlier today they had \$2.4 billion in cash assets at the time. It's very clear that companies are getting rewarded for dumping their employees. These same executives have decided not to pay severance. They've decided to proceed with the dismantling of the company and take bonuses to boot. It is outrageous.

I want to thank you for raising Bill C-501 in your commentary. It's a bill the NDP has put before the House. I had put forward Bill C-476 before to address the Nortel situation, but I was too far down in precedence. John Rafferty, the member for Thunder Bay—Rainy River, put forward this bill. Hopefully, we can get the support of other members, because it will be coming forward in this session and will give us an opportunity to deal with that.

I've written myself too many notes in the middle of all this stuff, because it's a little on the complex side.

There's one thing that people did not touch on today. I understand we have our public system. People make some private investments. We have the "three-legged stool", which was talked about, and RRSPs, but 63% of working Canadians today have no savings and no pensions. The doubling of the CPP strikes me as a foundation for going forward. Nobody is suggesting it's a replacement for what we have or a replacement for the private sector. There's still room. When

you see a number that big, I again think we have to address the situation.

I'd like to hear any commentary you'd like to make along those lines.

Ms. Patty Ducharme: Further to that, only 33% of Canadians have public sector or private sector pension plans. If we're serious about dealing with the issue of poverty and old age, we have to ensure that more people have pension plans, that the pension plans are protected, and that corporations set up dedicated funds they can't steal from during situations of financial hardship. We have to ensure the pension plans are well funded and are used for the purpose for which they've been established.

● (1645)

Mr. Wayne Marston: Mr. Gagné, the situation with AbitibiBowater strikes me as being very similar to the Nortel situation.

I've said before at this committee that we have to change the dialogue. We have to start talking about the fact that the pension funds are the property of the workers—it's deferred wages—as opposed to the thinking that it's company assets. Until we reach that level, I think we'll have difficulty moving forward in some of these situations.

For the proposition on the change to the bankruptcy laws, would that still be timely enough to assist AbitibiBowater?

[Translation]

Mr. Renaud Gagné: There is no doubt that would improve things in future because the company would be released from full responsibility for deficits in the new plan that would be introduced. However, as far as the past is concerned, that would resolve nothing.

Where a company is having trouble coming out from under the CCAA, two or three years later, given that the paper industry continues to decline and to opt for this kind of protection, we still would be no further ahead in terms of our retirees or future retirees, because the plan would still not be deemed a preferred claim.

At the present time, the company is selling its assets and is telling us it will cover the deficit. It is still in discussions with the governments of Quebec and Ontario to find a solution to the payments problem where there is insolvency. Will the money be there? In future, will we be certain that this money is protected for pensioners? I am really not sure about that.

[English]

The Chair: You have some more time left. You have at least 30 seconds.

Mr. Wayne Marston: I'd like to hear your opinion on the fact that the finance minister said he's listening to Canadians.

The parliamentary secretary went on a tour. I went to 24 communities and listened to seniors talk about the fact that some women have to eat cat food to get protein. They make \$1,162 a month when they're on the GIS and old age security. I know of members on the government side who have seen constituents go to food banks.

In this situation, I think we talk a lot about pensions and such, but I was pleased to hear people talk about an increase to the GIS and OAS as well. There's a tendency in this discussion to look solely at the pension funds, CPP, and private pensions, but we need a top-up.

Mr. Flaherty is visiting communities. We've heard that it costs \$375 to attend the hearings. Do you know any seniors who could afford to go to those hearings?

The Chair: Thank you, Mr. Marston.

We'll go to Ms. Hall Findlay, please.

[Translation]

Ms. Martha Hall Findlay (Willowdale, Lib.): Thank you, Mr. Chairman.

Thank you all for your testimony today.

I have a fairly simple question for each of you.

[English]

I heard earlier a fair bit of commentary from a number of our colleagues, but in particular from Ms. Block, for whom I have great respect. It was repeated several times that this is a complex issue.

It actually isn't very complex, and amendments to the BIA and the CCAA are actually pretty simple. Changing priority status for a particular group of people is actually a relatively simple concept.

I would like in particular to ask because.... There are two issues. One is the larger pension issue, and the two of you have addressed that very effectively, Monsieur de Margerie. The long-term disability issue strikes us as being—not to show preference—an easier to manage piece of this.

As my colleague Mr. McCallum said earlier... He did rise in the House today and ask a question. He prefaced it by saying that this should be a non-partisan issue. We have reached out to the government and to the opposition parties to ask if we can address.... At the very least, let's deal with the long-term disability piece.

What has the government said to each one of you as a reason for not acting right away, when we all know it is within our capability to do so? If I can just very briefly ask you, what reason have you been given?

Ms. Melanie Johannink: When I first initiated the petition, I spoke to my MP and he handed the petition in—the 12,000 one that I got—and he said there's no chance; you guys are just going to be eating on the floor. You guys are at the bottom of the barrel.

Ms. Martha Hall Findlay: But no reason for that?

•(1650)

Ms. Melanie Johannink: No. And why... You've got to understand. This is for the people. This is the voice of Canada. This is not just for some junk bond holder to take our money and go and leave the country.

Ms. Martha Hall Findlay: Mr. Hanrieder.

Mr. Paul Hanrieder: They always talk about the cost of credit, right? If you put the bankruptcy amendments in there, it's going to make people less likely to invest in companies and it would hurt the business interests in Canada.

But as Melanie has proposed, that's less than a 16% impact in countries that have actually done this. So really we think it's a silly excuse. It's time to start moving forward and getting this solved.

Ms. Martha Hall Findlay: Monsieur de Margerie, the cost of capital can't be an issue with regard specifically to addressing the long-term disability piece with Nortel. What reason have you been given?

Mr. Sylvain de Margerie: The main response I've gotten.... And I'm happy to see that you, Mr. McCallum and Mr. Marston, are aware of the LTD situation already.

I've written letters to all deputies and all senators. The most common response I get is that they are looking at the old age pension situation and they'll take care of it. So they do not realize the dire situation that the people on LTD are in.

Ms. Martha Hall Findlay: So, in effect, it's not a reason, I think.

[Translation]

Mr. Renaud Gagné: On the government side, they have not really been listening. Other than hearing us out, I have the feeling that they don't understand the pulp and paper industry, even though it has created so many jobs—jobs that have fostered Canada's development. We have received no help whatsoever, and that applies as well to the pension issue. So, we are certainly not out of the woods yet.

[English]

Ms. Martha Hall Findlay: *Merci.*

Ms. Patty Ducharme: We have not been in a situation such as the Nortel workers to date. So we haven't been given any answers by the Government of Canada.

Ms. Martha Hall Findlay: Thank you very much. *Merci à tout le monde.*

Is there more time?

The Chair: Yes, one minute.

Ms. Martha Hall Findlay: If it's all right, I'll share it with my colleague, Mr. Pacetti.

Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.): Thank you, Ms. Findlay.

Thank you, Mr. Chair.

If I could start, then maybe I'll continue on the next round.

Ms. Johannink, I'd just basically like to take a step back, because I think in your brief you say, "In Nortel's liquidation, my money will be taken out of the country, forcing me to use my retirement savings."

What exactly does that mean?

Ms. Melanie Johannink: I'll explain that to you. There's a U.S. unsecured creditor committee. The moneys are held in kind of a bank, a repository, in the U.S. The rest of the money is in the U.K. The money in the estate that I would be paid out for my severance is in Canada, and that is next to nothing. So there's no—

Mr. Massimo Pacetti: You said "estate"?

Ms. Melanie Johannink: The Nortel estate. They keep those funds when they sell off parts of their business. They're keeping it in a holding tank, and that's in the U.S. I think it's Morgan Stanley that's holding that money. So there's no money in Canada. I'll be paid out of the U.S. estate and that money will be gone.

Mr. Massimo Pacetti: Who does the U.S. money belong to, or the U.K. money?

Ms. Melanie Johannink: That's the other issue, because there's no sense of equalizing that money to each of the different countries under the BIA. Basically, I will be paid out of the Canadian estate and there will be nothing left.

Mr. Massimo Pacetti: I'll go back to the other one, because I know you had a point with this, Mr. Hanrieder. What happens with the employees from the U.K. or other employees around the world?

Ms. Melanie Johannink: The U.S. might end up with 50¢, 60¢ on the dollar, and the same with the U.K. We might end up with 10¢.

Mr. Massimo Pacetti: But their employees will get paid.

Ms. Melanie Johannink: Yes, they will. They also have some type of preferred status in their CCAA or BIA equivalent.

Mr. Massimo Pacetti: Okay, we'll continue the discussion.

Thank you, Mr. Chair.

The Chair: Thank you, Mr. Pacetti.

[Translation]

Mr. Carrier, please.

You have five minutes.

Mr. Robert Carrier (Alfred-Pellan, BQ): Thank you.

Good afternoon, ladies and gentlemen. I am very pleased that you are able to be here today.

In the Bloc Québécois, we are very concerned about the fate of workers and the economically disadvantaged. In principle, there is some government protection in the form of the Guaranteed Income Supplement, even though we are well aware of the problem of low retirement income and possible pension income losses.

For several years now, the Bloc Québécois has been able to secure the passage of a number of private members' bills that propose increasing the GIS, given that the Canadian government is keeping seniors' income below the poverty line. So, at the end of the consultations that are now underway, I hope that one of the first actions the government will consider is an increase in the Guaranteed Income Supplement.

Having said that, I would like to discuss pensions. We do not all need the Guaranteed Income Supplement. Some people are able, through their employment, to accumulate a comfortable pension on which to live on as they grow older. In January of 2009, legislation was passed in Quebec to ensure that the pension funds of bankrupt companies would be taken over by the Quebec Pension Plan, the equivalent of which in Canada is the Canada Pension Plan. That legislation is not yet in effect, because the regulations have still not been passed. It is very recent; it has been around for about a year. Because this hasn't been discussed by any of you, I would like to ask whether you think this is an option the government may want to

pursue for its own pension plan—we talked about the current amount in there—namely, taking over the pension plans of companies that fail?

I would ask that each of you comment on that potential solution. I hope it was clear in the translation.

• (1655)

[English]

Ms. Melanie Johannink: Sir, I'm going to hand it over to Paul because he's in a different province from me and their laws are a lot different.

In Ontario we have the Ontario Pension Benefits Guarantee Fund trying to help out Nortel workers now. I think Quebec is doing additional work with the income supplements. In Paul's case, there's nothing in his province.

Mr. Paul Hanrieder: Yes, in Alberta, there is no pension guarantee fund, so the 69% that we were talking about will be all an Alberta pensioner will ever receive.

I think there's generalized comfort in doing something like that, especially trying to vest Nortel's pension at this point when the market is so low, a five-year reprieve to allow some of it to recover. It's not all underfunding; it's partly because the market is down so low. If they were to roll up the pension at this point, it could be as low as 69%. If the investments are allowed to recover somewhat in five years, that could be a lot closer to 100% funding.

I agree with you. I think it would work in other provinces.

[Translation]

Mr. Robert Carrier: In the other provinces, you don't have the equivalent of the Quebec Pension Plan. In all the other provinces, the Canada Pension Plan applies. Do you think the Canada Pension Plan could take over the private pension plans of companies that go bankrupt? That would resolve the responsibility issue.

[English]

Mr. Paul Hanrieder: As long as there are other rules around it, the quality of the investments and other things, and as long as we had a regulated method to control those pension plans and ensure they were safer than they were privately held, absolutely, I fully agree with that. Anything that will allow these investments to recover at a time when economics have forced everything down would be a great thing.

[Translation]

Mr. Robert Carrier: Thank you. Mr. de Margerie—

The Chair: You have one minute left.

[English]

Mr. Sylvain de Margerie: I'll answer in English because I think some of the anglophones didn't understand your first question.

Quebec is in a unique situation. They have the equivalent of CPP. What they are offering to the companies is...when a pension fund goes bust, it's essentially amalgamated into the equivalent of CPP, RRQ in Quebec, and they administer it. So you don't have to dissolve the pension fund; it can go on, and people can keep on getting annuities. I think that's a very interesting initiative of the Province of Quebec, and definitely it is something the CPP can look at.

For lots of pensioners, having to handle a big cash settlement from their fund being dissolved and having to buy an annuity on the private market is not a good deal.

The Chair: Okay.

Mr. Sylvain de Margerie: I think it's an interesting solution.

The Chair: *Merci.*

[*Translation*]

Mr. Renaud Gagné: That would certainly be a step in the right direction. However, at one point we proposed the creation of a trust on an ongoing basis. When money is transferred to the Quebec Pension Plan, it is because the plan is being wound down. If we want the Quebec government to assume responsibility—

[*English*]

The Chair: Okay.

[*Translation*]

Mr. Renaud Gagné: — it will first be necessary to provide for assistance from the federal government, so that it can provide protection, be in a position to take greater risks, increase the value and purchase the pension once it is complete.

[*English*]

Ms. Patty Ducharme: We certainly see economies of scale and efficiencies from rolling them into a larger plan. If it ensures that workers continue to be able to draw their pensions, we would certainly support such a proposal.

The Chair: Thank you.

Colleagues, I'll just remind you that if you want to ask a question of all five witnesses and give them enough time, you should try to shorten your questions, if you can, please.

[*Translation*]

Mr. Gagné, you have five minutes.

• (1700)

Mr. Bernard Gagné (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, CPC): Thank you, Mr. Chairman.

I would like to thank all of you for being here today.

With respect to the problems facing Nortel employees, we are certainly extremely sympathetic. However, I would like to put in context what Mr. Gagné said earlier about the economic crisis and everything else that is occurring in various sectors of the Canadian economy. It has to be said that the current economic crisis is the most significant one we have seen since 1930. There were quite a few others between the two and there have been ups and downs. The fundamental difference between this crisis and all the others that we

have weathered in the last 100 years is the speed at which it hit us. It has had a significant impact on today's realities.

Having said that, Mr. Gagné, I would like to address my question to you in particular, because you made a number of interesting comments earlier. You talked about innovation in the union movement, mentioning the member-funded pension plan. That was the term you used. Perhaps you could enlighten us further.

Mr. Renaud Gagné: The FTQ presented a proposal to the Government of Quebec regarding the introduction of a multi-employer defined benefit pension plan. Under this plan, the employer contribution is a fixed amount. Because it is a multi-employer plan, the companies do not assume the risk. On the other hand, rather than a plan that is limited in terms of the reserve—for example, to 100% or 105%—this type of plan could go as high as 130%, meaning that when there are stock market fluctuations, the pension amount will not be reduced. In other words, there is a need to build up a large reserve, to be sure that the money will be there. The problem we encountered in the past is that companies would take premium holidays when everything was fine, but when the situation deteriorated subsequently, there was no more money left or not enough. So, that is the type of plan we are advocating in future in order to avoid—

Mr. Bernard Gagné: Is it in place at this time?

Mr. Renaud Gagné: Yes, it is.

Mr. Bernard Gagné: Let's talk about the “multi-employer” aspect of it. Does that mean that there can be different kinds of companies that participate, of different sizes and from different industries?

Mr. Renaud Gagné: Yes, exactly, except that the benefit will differ depending on what you purchase in terms of value.

Mr. Bernard Gagné: In fact, the pension benefit that the worker will eventually receive depends on what he or she has invested.

Mr. Renaud Gagné: That is the way it is for all companies and all employees, when buying a pension benefit.

Mr. Bernard Gagné: How many members do you represent? You talked about 7,000 workers and 10,000 retirees. What percentage of workers do you represent in each of the three areas?

Mr. Renaud Gagné: We have 45,000 members.

Mr. Bernard Gagné: In Quebec, how many potential workers do you represent in all the industries combined?

Mr. Renaud Gagné: Are you talking about these industries?

Mr. Bernard Gagné: Yes.

Mr. Renaud Gagné: We represent about 80% in the different industries.

Mr. Bernard Gagné: In terms of retroactivity, I would like to address a question to Ms. Johannink.

[*English*]

Regarding the retroactivity you're talking about, what would be the right moment to go back to? What you have lived through with Nortel, of course, has not only happened to you; it has happened to others in the past.

Why do you want to go back?

Ms. Melanie Johannink: First of all, you have to look at the process and see how broken the process is, when taking a look at getting a BIA amendment and a CCAA amendment to be retroactive to include companies that are currently in it. I don't know how you could take it back any further, but that would also include the Nortel people. They would be covered, as would the AbitibiBowater and Fraser Papers people, whose companies are also going through difficult times.

We had to do the settlement agreement. It was a very quiet agreement that was not even disclosed to us. I was running a significant BIA campaign to try to get a change. I thought I was getting somewhere and then they just slammed us with a settlement agreement that gave me a \$3,000 loan.

So the process is definitely broken. A retroactive BIA amendment would impact that agreement, as long as it were retroactive for all companies currently in it.

Mr. Bernard Généreux: The process has happened in different ways in other companies. Other witnesses have come here and told us this happened to them ten years ago in different ways, but the conclusion was the same as what happened to you.

How far do you think the government should go back to compensate all those people?

Ms. Melanie Johannink: It would be companies that are currently in CCAA heading into BIA.

Paul, can you add to that? You can't go back to companies that have closed their doors. That's just way too late, but you could, under the acts the companies are currently in.

Mr. Paul Hanrieder: We have to do something sooner rather than later to ensure that companies stop going into bankruptcy just to avoid these costs, right? Nortel saved \$165 million on our side on pensioners and over \$1.2 billion on other sides by stepping away from these obligations. So we have to do something now that causes some impact so that future bankruptcies for similar reasons are stopped. There has to be some retroactivity to this or else it's some time in the future.

• (1705)

The Chair: *Merci.*

I'll now go to Mr. Pacetti, for a short round, please.

Mr. Massimo Pacetti: Thank you, Mr. Chairman. Again, thank you to the witnesses.

To follow up, Mr. Hanrieder, I think you had something to say regarding...if the government does make this retroactive amendment, how certain is it going to be that Nortel employees will get paid?

Mr. Paul Hanrieder: A bad situation is developing there. They've used accounting principles to minimize the cash in the Canadian estate and right now the majority, as Melanie was saying, is in the U.S. estate. They had \$2.4 billion cash. Nortel Canada has always been a research and development centre, so they put money into Canada but they called it a cost centre.

Through accounting principles, they've been able to move some of the debts of the restructuring into Canada to minimize the payments

that would come to a Canadian employee. So we're in a situation now where potentially 15¢ on the dollar would be paid to a Canadian. A U.S. person could get 65¢ on the dollar, even though they did exactly the same job but just happened to be on the other side of the border.

Mr. Massimo Pacetti: I understand that. That's why I'm asking. So even if you do have retroactivity—

Mr. Paul Hanrieder: There are possibilities. There are provisions in the NAFTA agreement that could allow equalization between the U.S. estate and the Canadian estate, if our government supports us in forcing that. We could force equal resolution. There are terms in NAFTA—I can provide them to you—that say that in a situation such as this, it has to be equalized and it's agreed by the U.S. government.

Mr. Massimo Pacetti: Because nothing is going to prevent future companies that go bankrupt to plan around this, even though they know that employees are going to suffer.

Mr. Paul Hanrieder: We have to have the preferred status to make the company more cognizant of this, and then they're less likely to induce a bankruptcy to make profits. But if we leave it open, they can keep doing this, and \$1.2 billion off your books is pretty darn good in comparison to other options. If they stayed solvent, that would take a long time to recover.

Mr. Massimo Pacetti: I see you had your hand up, Mr. de Margerie.

Mr. Sylvain de Margerie: Yes. If you included priority for LTD folks above everybody else because they have nothing to begin with, there would be enough money in the Canadian estate to pay them. I also want to point out that even if there is a shortfall in the Canadian estate assets, getting 30% or 40% instead of 15% is a hell of a lot better.

Mr. Massimo Pacetti: But if there's money missing in the Canadian accounts, how would you be able to supplement that? I still don't see how you can force somebody to bring in money from overseas operations.

My understanding too is that Nortel has not necessarily claimed credit protection in all the countries. I may be wrong.

Ms. Melanie Johannink: There are just three countries, and that was an arrangement made through the lawyers to put the money into the U.S. as a holding tank. So again, we're going to be paid out of the Canadian estate, and there has been no discussion as far as any type of equalization.

Mr. Massimo Pacetti: But there have been some representations from your groups that have been able to make a deal with the judges. What would happen in that case? Would the judges be able to force the money to come over?

Ms. Melanie Johannink: Only if the BIA were changed.

Mr. Massimo Pacetti: Thank you.

The Chair: Thank you, Mr. Pacetti.

Mr. Wallace, a short round.

Mr. Mike Wallace: Thank you, Mr. Chair.

Thank you for coming.

Ms. Ducharme, I appreciate your coming in and telling us about the health of the public service plan. But you're really here to talk about an additional CPP plan that the unions are promoting. What does an employee now contribute to CPP? Is it 4%? I can't remember off the top of my head.

Ms. Patty Ducharme: I don't know the percentage off the top of my head. The integrated amount I believe is 7%, and it's an integrated—

Mr. Mike Wallace: Between the employee and the employer. Is that what you mean by integrated?

Ms. Patty Ducharme: It's 9.9%.

Mr. Mike Wallace: That's the total.

Ms. Patty Ducharme: It's the total, but it's integrated—the superannuation contribution and the benefit.

Mr. Mike Wallace: Okay. So you're advocating—and let's use round numbers—for 18% total. You're asking that it be doubled over seven years. Is that correct?

• (1710)

Ms. Patty Ducharme: That's correct.

Mr. Mike Wallace: You're asking the taxpayer to come up with half of that. The employee would come up with the other half, so it would double what employees are putting into the plan.

How do you ask your rank and file whether they agree to that? Have you actually asked them if they're interested in doubling their CPP contributions?

Ms. Patty Ducharme: Are you asking if we've done a referendum with our membership with respect to what they pay?

Mr. Mike Wallace: Yes. You're here representing them. How do you know what their feelings are about that?

Ms. Patty Ducharme: Well, members are very concerned about their pension in old age. Our members do collect CPP, but again, it's not a stacked plan; it's an integrated plan. From an organizational perspective, we look at the broader society, at all of Canada, as well as our members. We recognize that many Canadians don't have access to pension plans, and quite frankly, we feel we need to ensure, as a society, that all Canadians do.

Mr. Mike Wallace: Even in your plan—

The Chair: You have 30 seconds.

Mr. Mike Wallace: In the plan you're promoting, would those who do not work benefit?

Ms. Patty Ducharme: Yes, they would.

I should probably have shared with the committee that we have been talking to our members about improving public pensions—their pensions and the security of their pensions, the Canada Pension Plan—and incorporating the pillars that the labour movement has been advancing on public pensions. Over 70,000 of our members have signed that petition. So we have been consulting with them. We've been talking about pensions with our members, about improving all pensions, and about access to pensions.

Mr. Mike Wallace: So you think they're well aware of what the personal cost might be to them and they're satisfied with that at this point.

Ms. Patty Ducharme: I believe they do understand the cost to them.

Mr. Mike Wallace: Thank you.

The Chair: Thank you, Mr. Wallace.

I want to thank all of you for coming today, and for your presentations and responses to our questions. If there is anything further you'd like to submit to the committee—and I believe, Ms. Johannink, you have something for the clerk—please feel free to do so. We will ensure all members get that.

Colleagues, we're going to suspend for about a minute and then we'll deal with Monsieur Paillé's motion. We'll allow the witnesses to leave, if they so choose, and then we'll go to the motion.

• _____ (Pause) _____

•

The Chair: Colleagues, I'll ask you to find your seats.

You should all have a copy of *la motion de Monsieur Paillé* in front of you.

I'll ask Monsieur Paillé to introduce his motion and to argue whether the committee should adopt it.

[*Translation*]

Mr. Daniel Paillé: Mr. Chairman, my motion is completely open, meaning that I would like Committee members to take whatever time is needed to review it. I am very conscious of what we have on our agenda between now and the end of the session, but the future lasts a long time.

The motion reads as follows:

That the Committee undertake a study on the introduction of a tax on international currency transactions (similar to a Tobin tax) to control speculative short-term movements of capital, and that this study include:

- a detailed statement on how a tax on international currency transactions would work;
- an analysis of the approaches taken by various governments to promote world-wide adoption of such a tax;
- a list of measures to be implemented in order to introduce such a tax in conjunction with the international community, including a realistic timeframe for Canada;
- a consideration of possible beneficiaries of the revenue collected and an analysis of how this revenue could be allocated.

That the Committee report its observations and recommendations to the House.

I deliberately included the words “similar to a Tobin tax” in brackets because there has been discussion of many different types of taxes around the world. So, there could be several different ones. They are aimed at controlling speculative short-term movements of capital. In this study, we are only talking about capital, capital transactions—speculative, short-term movements of capital. I want to be very precise in terms of what is involved.

I have also included: “A detailed statement on how a tax on international currency transactions would work”. A number of different people can probably enlighten us on that.

After that, it says: “An analysis of the approaches taken by various governments to promote world-wide adoption of such a tax”. I am thinking in particular of several European countries.

The rest of the motion says: “A list of measures to be implemented in order to introduce such a tax in conjunction with the international community, including a realistic timeframe for Canada”. I think it is important to be realistic: no country can act alone in this area. And, it has to be effective. I am a practical kind of person. Creating a tax that won't work is a waste of time.

Finally, it says: “A consideration of possible beneficiaries of the revenue collected and an analysis of how this revenue could be allocated”. In that regard, many people have suggested creating funds that would be dedicated to poverty, the environment or protection from further bank failures. So, there are a number of potential uses for the money.

And, of course, I am proposing that the Committee report its observations and recommendations to the House.

I hope colleagues will unanimously support this motion, which is intended to be very open and helpful.

• (1715)

[English]

The Chair: *Merci, monsieur Paillé.*

We have Mr. Menzies and then Mr. McCallum.

Mr. Ted Menzies (Macleod, CPC): Thank you, Mr. Chair.

With all due respect, Monsieur Paillé, I'm not sure what planet you've been living on through this recession, but there's not a dollar of Canadian taxpayers' money that's gone into any bank, so why would we punish them? The fundamental question in my mind is, do you not realize there's only one taxpayer in this country, and that would be you and me, who would pay higher bank fees, because it's quite easy to pass that on? We know that this tax would not end up just with the bank. Next time you or I go in for a loan, or the services that are charged on our transactions, we'd see them increase. So I'm not sure why we would even consider this.

We've said the Government of Canada is not supporting this, and I think we have strong support. I'm quite confident we have strong support across the country, and not just from the banking sector but from those people who understand finances, who are very proud of... Accolades to the Liberals. The Liberals made sure we kept regulations, good regulations, in place that kept our banks strong, made them strong. Now, to penalize them for greed in other countries, to be very blunt, is not fair to our banks. Our banks are to a point where they've moved up the ladder in international stature. We have some of the strongest banks in the world that are now able to invest outside the country, and this sort of thing is pretty short-sighted.

We had no failures. We required no bailouts in this country. Yet you're suggesting that we should penalize them for their good stature and their hard work. We co-chaired the G-20 to argue against this sort of thing, and here, under your suggestion, we're going to be studying it in a committee. We need to be reducing taxes, and that's why we've said that. This would be the last thing we'd want to do, increase taxes.

Then again, as for your final comment, consideration of possible beneficiaries, who gets to choose where this money goes? The government already takes too much of our money in taxes; we don't

need the government taking more. It will come out of my pocket and yours. It's inevitable if this ever happened.

We will be voting against this, Mr. Chair.

• (1720)

The Chair: Thank you, Mr. Menzies.

Mr. McCallum, and then Monsieur Paillé.

Hon. John McCallum: I'll start with the same words as Mr. Menzies, “With all due respect”, which is usually a bad beginning.

Some hon. members: Oh, oh!

Hon. John McCallum: But with all due respect to Ted Menzies—and I, having worked for a bank, don't want to punish banks—I don't think this has anything to do with punishing banks.

I agree, and I accept your compliment, that we did manage the banks well. The Liberals were smart not to allow the mergers, in hindsight, even though I was on the other side at the time.

This has nothing to do with punishing banks. This has to do with other things. I'm not necessarily in favour of it, but I think...

For example, Gordon Brown came up, just yesterday, with a proposal resembling this. I think other countries have talked about this. It's not to punish banks but to curb speculation, to raise funding for development, and to help hit the millennium targets. Those are objectives.

I'm not saying—

Mr. Russ Hiebert (South Surrey—White Rock—Cloverdale, CPC): Another tax.

Hon. John McCallum: —I'm in favour of this, so please don't quote me to that effect, but it's difficult to argue against studying something when a number of major countries, such as the U.K., are proposing it. I'm not opposed to studying it, but I am concerned that we don't have the time.

I've seen the agenda prepared by my colleague Massimo and the chair of the committee and others, and it seems to show that with the retirement income study and other things currently committed to, there really isn't any time between now and June. And it is a major topic.

I guess as a Liberal, I'm in an intermediate position.

Some hon. members: Oh, oh!

Hon. John McCallum: On the one hand, unlike the Conservatives, I'm not averse to studying what I think is a potentially important area. But in practical terms, I think this is a major issue. I don't think we can study it in an hour or two.

[Translation]

I am simply suggesting to the Bloc Québécois that it wait or perhaps bring this idea forward again in a few months. I don't think we have enough time between now and the beginning of June or early summer to carry out such a study.

[English]

So my objection is more a practical one than a philosophical one.

The Chair: Thank you, Mr. McCallum.

We have Mr. Paillé, and Mr. Pacetti.

[Translation]

Mr. Daniel Paillé: I agree with Mr. McCallum.

Also, I have no objection to Gordon Brown taking his inspiration from us. With all due respect for the House of Commons, I did not submit the wording of this motion to Gordon Brown before bringing it forward here.

In fact, this has nothing to do with the chartered banks. I don't know what kind of transactions Mr. Menzies conducts at his bank, but I, for one, am not involved in speculative, short-term capital transactions. So, I cannot really relate to the situation described by Ted Menzies. Perhaps he is involved in speculative short-term movements of capital. But I am not the one managing his speculative funds.

It is the very large institutions that are affected by this—the speculators, the hedge funds. They are the ones this is aimed at. That's why I think it's very important that we do such a study.

At the same time, I am very aware of time constraints. Can we put this study on the table and hope that we will have time to do it? If it's necessary to present it again in September, I have to admit I am not sure what the procedure would be.

[English]

The Chair: If the committee can adopt the motion today and the committee can study it, if we don't have time in June it would still be on the agenda for September.

[Translation]

Mr. Daniel Paillé: That is what I would like to suggest.

[English]

The Chair: You don't have a timing restriction on the motion itself.

[Translation]

Mr. Daniel Paillé: No.

[English]

The Chair: So I don't see what that would—

[Translation]

Mr. Daniel Paillé: However, I would like it to be debated and voted on.

[English]

The Chair: Okay.

I have Mr. Pacetti, and then Mr. Marston.

Mr. Massimo Pacetti: We're not talking about the same thing. Tabling it means that we don't defeat it and we don't accept it. There is some wording that...

I mean, just quickly, I don't like the word “introduction”.

• (1725)

[Translation]

In French, the term “adoption” suggests that it is a *fait accompli*.

Rather than debating the wording of the motion, I suggest that we put it on the agenda. We could then come back to it in three, four or five weeks' time, because there will certainly have been some developments in that area around the world. We will be wasting our time debating the motion, if it's because we are uncomfortable with two or three words.

Mr. Daniel Paillé: As long as it is already there, I would agree to make that exception.

[English]

The Chair: I can have the clerk explain, but the problem is that once the motion is moved, it becomes the property of the committee. It can only be withdrawn, as I understand it, with unanimous consent.

Mr. Massimo Pacetti: Everybody is okay with it.

An hon. member: This is tabling it. Is that right?

Mr. Massimo Pacetti: Yes, we're okay with it.

[Translation]

Mr. Daniel Paillé: We can table it, but I don't want it to be withdrawn. If there are suggested amendments, perhaps we could table it but not necessarily vote on it. Right?

[English]

The Chair: We cannot table the motion. Once a motion is introduced, it cannot be tabled. It has to be withdrawn, and it can only be withdrawn with unanimous consent. So we either deal with it or we withdraw it with unanimous consent.

Mr. Mike Wallace: Is he moving to withdraw the motion?

The Chair: Is there unanimous consent to withdraw this motion?

Mr. Ted Menzies: No.

The Chair: There is not unanimous consent. We have to deal with the motion.

[Translation]

Mr. Daniel Paillé: I am very happy to see that.

[English]

The Chair: I have Mr. Pacetti and Mr. Marston now.

Colleagues, if we can't finish it by 5:30 today, we'll have to move it to Thursday.

Go ahead, Mr. Pacetti.

Mr. Massimo Pacetti: I will just propose a friendly amendment, that *en anglais* it would say, “That the Committee undertake a study on a tax on international...”. Just remove the words “introduction of”.

[Translation]

In the French version, we could simply remove the word “l'adoption”. It would read: That the Committee undertake a study on a tax on transactions.

[English]

The Chair: Your amendment in English is to remove the words “introduction of” and

[*Translation*]

in French, it is the word “l'adoption”.

[*English*]

Mr. Ted Menzies: Could we put “Liberal tax” in there?

The Chair: Okay.

Mr. Massimo Pacetti: You guys tax more than I've ever seen any government tax anything.

The Chair: Order, please.

The amendment is in order.

On the amendment, Mr. Marston.

Mr. Wayne Marston: I'm fine with the amendment.

The Chair: You are fine with the amendment.

Mr. Wayne Marston: Can I ask one question, Mr. Chair? There was a point of information that was mistaken in the last presentation. I'd like to correct it for the record. Can I do that following this?

The Chair: Mr. Marston, we're on the motion now.

Mr. Wayne Marston: I am asking when I can do that.

The Chair: You can't do that. We're on the....

Mr. Wayne Marston: Can I raise it as a point of information at the end of this discussion?

The Chair: You can do it at the next committee meeting, which will be on pensions as well.

Mr. McCallum, do you want to speak to the amendment?

Hon. John McCallum: This is a procedural thing, which I wasn't anticipating. You are telling us that he can't table it, so we have to vote on whether we want this motion or not, yes or no. Is that the issue?

The Chair: That's correct.

Hon. John McCallum: Okay, since we have about two minutes left, and not knowing this—we might not have studied it as much as we would have liked—can I propose that we delay the vote until the next meeting?

The Chair: If you speak until 5:30, that would mean....

Some hon. members: Oh, oh!

[*Translation*]

Mr. Daniel Paillé: Can I suggest that it is 5:30?

[*English*]

Hon. John McCallum: Unlike in the court of...

The Chair: Can you speak for five minutes, Mr. McCallum?

Hon. John McCallum: I can speak for two minutes, if required. Is that what you want me to do?

Mr. Ted Menzies: Don't you need consensus?

The Chair: Can you explain how TD and Canada Trust is not a merger?

Hon. John McCallum: I believe it was a takeover.

The Chair: Okay, Mr. McCallum, you have the floor.

Hon. John McCallum: All right. I thought we did things collegially here and that we weren't required to run out the clock, but if you insist that I do....

Will you give me a hand?

Mr. Massimo Pacetti: Yes.

If we're going to talk about my amendment, the wording has to say that the committee will undertake a study on the proposal of a tax....

Mr. Ted Menzies: [*Inaudible—Editor*]

Mr. Massimo Pacetti: Usually people can help me with my English. I don't want to commit to saying that we're introducing a tax. I just want to look at the words, “That the Committee introduce a study on”. Do we remove the word “tax”?

• (1730)

Mr. Mike Wallace: Oh, no. We like it in there.

Mr. Massimo Pacetti: Come on, Mike. “That the Committee undertake a study”....

The Chair: Seeing that it is 5:30, we will have this discussion on Thursday.

Mr. Massimo Pacetti: Okay, we will rewrite it, and I'll have it on Thursday.

Thank you.

The Chair: Thank you.

The meeting is adjourned.

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