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Thursday, June 3, 2010

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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 to order the 24th meeting of the Standing Committee on Finance. In our orders today, pursuant to the order of reference of Wednesday, March 3, 2010, we are continuing our study of Bill C-290, An Act to amend the Income Tax Act (tax credit for loss of retirement income).

This afternoon we have a panel from 3:30 until 4:30 and then clause-by-clause consideration from 4:30 to 5:30.

I have two items I want to deal with at the beginning of the meeting. First of all, Monsieur Paillé would like the floor to present a motion.

Monsieur Paillé, s'il vous plaît.

[Translation]

Mr. Daniel Paillé (Hochelaga, BQ): Mr. Chair, I want to move the following motion: That the Standing Committee on Finance congratulate two of its members who were recognized by their peers in the annual surveys conducted by *Maclean's* and *L'Actualité* magazines. Congratulations to Ms. Kelly Block, MP for Saskatoon—Rosetown—Biggar who was named rising star, and to Mr. Ted Menzies, parliamentary secretary to the Minister of Finance, who was voted hardest working MP.

I have provided the text of the motion in both French and English.

[English]

The Chair: *Merci beaucoup.*

All those in favour of the motion?

(Motion agreed to)

Mr. Mike Wallace (Burlington, CPC): Hear, hear!

The Chair: I see that it's unanimous.

Some hon. members: Hear, hear!

The Chair: *Merci beaucoup, monsieur Paillé.* That's very kind of you.

Secondly, colleagues, you've just been given a budget that we do need approval for.

Mr. Mike Wallace: I move the item, Mr. Chair.

The Chair: So moved by Mr. Wallace. All in favour?

(Motion agreed to)

The Chair: Thank you, colleagues.

For the first hour of discussion on this bill, we have with us the Parliamentary Budget Officer, Mr. Kevin Page. We also have three of his colleagues with us: Mr. Sahir Khan, Mr. Mostafa Askari, and Mr. Jason Jacques. Thank you for being with us.

As a committee, we also want to thank you for your letter and your work in costing out this private member's bill, particularly your letter of May 14, 2010. Thank you very much for doing that work on behalf of the committee. We certainly appreciate it.

Mr. Page, you have time for an opening statement regarding this bill, and then we'll have questions from members.

Mr. Kevin Page (Parliamentary Budget Officer, Library of Parliament): Good afternoon.

Thank you, Chair.

I want to thank the committee for the opportunity to appear before you today. FINA members and parliamentarians in general have consistently referred interesting issues to my team, which has kept us busy and challenged.

I have a few brief introductory remarks I would like to make regarding my general process for preparing estimates of the proposed legislative amendments to the Income Tax Act and our specific review of Bill C-290.

Following this, I would be pleased to answer any questions members may have regarding the correspondence I sent to the committee chair on May 14 or any other issues.

[Translation]

I want to begin by outlining the general process by which we prepare cost estimates of legislative amendments to the Income Tax Act proposed by private members. Over the past year, we have received 15 requests and completed 4 cost estimates. All have followed the same general three-step approach.

Step 1 is to prepare terms of reference for the study, which specify timelines, resources and key assumptions to be used. These terms of reference are presented to the requesting parliamentarian or other interested Committee members for approval before any formal work begins.

Step 2 is to identify relevant data, research and expertise that can be used to determine how many taxpayers are currently eligible for the proposed legislative amendment, and how many taxpayers may be induced to change their behaviour to make themselves eligible.

[English]

The third step involves completing a reality check with people who actually work in the field and who are familiar with the policy area. After the calculations are completed and the draft report prepared, we then examine whether results are reasonable given what policy experts know about this domain.

For example, when I prepared a recent cost estimate regarding Bill C-466, the tax exemption for public transportation benefits, we benefited from the insight provided by U.S. firms that actually administer the proposed programs and indicated that, depending on how the legislation was worded, administration costs and adoption rates could vary widely. This is the type of real-world knowledge that is very relevant to preparing a cost estimate, but it's not typically collected in the data.

In the case of Bill C-290, we did not progress beyond step one, the preparation of the terms of reference. My staff met with several committee members shortly after receiving the request and completed a review of the cost estimates prepared by the Bloc Québécois and the government by early May.

At that time, it became evident that the divergence between the two cost estimates primarily related to differing legislative interpretations of Bill C-290. The Bloc Québécois believe it to be narrowly targeted, while the government believes it to have a wider application.

The government estimate assumes that all recipients of income from registered pension plans are eligible for a tax credit on pension income. In contrast, the legislative interpretation of the Bloc Québécois assumes that only retirees whose pension income has been reduced as a result of financial distress of the sponsoring firm are eligible for a tax credit on lost pension income.

After determining this, my staff asked the committee to clarify these assumptions and reach a common understanding of precisely which legislative proposal was to be costed. After waiting a week, we sent correspondence to the chair of the committee providing a preliminary assessment of the two cost estimates—\$5 million per annum and approximately \$10 billion per annum—and again highlighted the need to reach a common understanding regarding the legislative interpretation of Bill C-290 before moving forward with this request.

As noted in my correspondence of May 14, both estimates appear to be free of major errors. While a government estimate of \$10 billion appears reasonable, given its assumptions, the Bloc Québécois estimate of \$5 million may be near the low end of a range, based on their differing assumptions.

I would like to convey to committee members that we would look forward to continued work on a terms of reference for this request should members provide additional direction with respect to the legislative intent of Bill C-290.

● (1535)

[Translation]

I would be pleased to answer any questions Committee members may have regarding our process for preparing cost estimates of

legislative amendments to the Income Tax Act or my preliminary analysis of Bill C-290.

The Chair: Thank you.

We will start with Mr. McKay.

[English]

Mr. McKay, please, for seven minutes.

Hon. John McKay (Scarborough—Guildwood, Lib.): That \$5 million to \$11 billion is a bit of a spread.

Voices: Oh, oh!

Hon. John McKay: Here's what I don't understand: what is a bankrupt plan or an insolvent plan? I know what a bankrupt corporation is. I know what an insolvent corporation is. The general definition is that they are unable to meet creditors' claims as they come due. Is that the same definition for a defined benefit plan?

Mr. Jason Jacques (Financial Advisor, Expenditure and Revenue Analysis, Office of the Parliamentary Budget Officer, Library of Parliament): That's essentially correct. It is essentially a similar definition, where the assets within the plan are unable to actually meet the accrued benefits payable to the beneficiaries of the plan, both the retired members and the current active members.

Hon. John McKay: The problem of that plan, then, is that a state of insolvency, of incapacity to meet one's obligations as they come due, bounces around like a yo-yo on a defined benefit plan, frequently dependent on the state of interest rates and the state of the stock market. It seems to me that this is quite problematic when trying to predict whether you can cover off the costs of Bill C-290. Is that fair?

Mr. Kevin Page: I'll start, and Jason can add to it.

Based on the survey data we have, or data made available to us for a few provinces, the data provided to us by the Bloc Québécois for Quebec for one year, and data provided to us by two provinces that do surveys—Alberta and Nova Scotia—and grossing up for Canada, we think you could get, quite comfortably, something in the range of 10 to 60 plans a year that could effectively be dealing with this kind of distress, depending on what happens in the course of the year.

Hon. John McKay: The Bloc's argument is that in Quebec it's on one or two or three plans, and that's that. Even if you took one or two or three plans and that's that and spread it across the whole country, it still doesn't get into your range of 60 plans a year. The 60 plans a year could change every year. I think that's right; I'm not sure.

● (1540)

Mr. Kevin Page: Yes, but we're talking about a variance of 10; it could perhaps be upwards of 60 in unfortunate years. The average could be much lower than that.

Mr. Sahir Khan (Assistant Parliamentary Budget Officer, Expenditure and Revenue Analysis, Office of the Parliamentary Budget Officer, Library of Parliament): I may just add, Mr. McKay, that we're also speaking specifically about plans terminated due to financial distress, not simply about the volatility of a plan's ability in a given year to meet its obligations. That was our understanding of the policy intent of the bill.

Hon. John McKay: I suppose we should check with my colleagues here as to what they interpret it to mean, because it's not clear in their bill what is meant by this.

Mr. Sahir Khan: Yes, sir. In fact, this is what we have identified as the core of the issue. While the policy intent has been made more or less clear to us, it's the translation of that policy intent into the actual drafting of the bill that does not allow us to extract a narrow range of variables for estimation purposes. That's our core challenge.

Hon. John McKay: Again, I don't know this, but is there an actual, legal recognition of when a plan is insolvent? I go back to the company: when a trustee files, then you know. I don't know whether that is true with plans as well. Is it?

Mr. Jason Jacques: It is true. The technical term actually isn't insolvency. It varies from province to province and regulator to regulator, but it's usually "termination". When we were performing a sensitivity analysis with respect to the Bloc Québécois interpretation, we looked at specific pension plan terminations in which the plans were being terminated owing to financial distress or bankruptcy of the sponsoring firms.

Hon. John McKay: I see.

Again I'm trying to work with the intention here. Can this be remedied with specific language, in your view? I'm assuming my friends in the Bloc want the lower interpretation, not the \$11 billion interpretation. Is there language that could tighten the triggering event?

Mr. Kevin Page: We're not lawyers and we don't have the capacity, actually, to draft this type of legislation, but we don't see any reason that it couldn't be refined, and we could provide better cost estimates for you as a result.

Hon. John McKay: Yes.

That's all I have for the time being, Chair. Thank you.

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

[*Translation*]

Mr. Bellavance, you have the floor for seven minutes.

Mr. André Bellavance (Richmond—Arthabaska, BQ): Thank you, Mr. Chair.

This is exactly what we have always said when drafting this bill. Mr. Page, I am the sponsor of the bill. We also are not experts in legislative drafting. We are legislators but we do not draft bills. This is done by people who work for us in Parliament drafting bills. As legislators, our intention is very clear: we want the bill to apply to corporations. We wanted it to apply only to the workers of a firm that closed or went bankrupt when these workers lose a part of their pension plan as a result. This is what we asked for and this is the result. You also have to understand that the bill as introduced is still a work in progress. Refining bills is precisely what we do here in committee. And after that, there is also the regulatory process. As you well know, after the bill is passed, the government still has to introduce regulations explaining the provisions of the bill and restricting their scope. This cannot be done beforehand but that was always our intention.

There is something that seems odd to me. We do not mind the fact that the Conservatives asked you to assess the cost of this bill

because we think it is important to have as much transparency as possible. However, it is somewhat ironic coming from this government. When the Finance Minister makes his estimates and you present your own estimates contradicting his, he criticizes you and says that your work is worthless and that your figures do not reflect reality. Now, when you assess the conservative scenario and say that the cost could run up to \$10 billion, they are happy. So this is ironic.

However, concerning this specific part of your assessment, I understand that you have analyzed the conservative scenario which is based on all Canadian pension funds being bankrupt and all pensioners getting 0% of their pension. Under this scenario, the cost would be \$10 billion a year. But this is only a scenario. When analyzing it, your role is not to pass any kind of judgment. You look at it and say that if this scenario materializes, the cost may reach \$10 billion. Then you look at our scenario and determine that if two firms go bankrupt according to certain assessments—we always recognized there may be more than two but these were the only ones we found—you say it is possible the cost could go up to \$53 million. This is the work you have done: you assessed the two scenarios without making any choice or passing any judgment. I would like you to give us a brief description of the process you followed.

• (1545)

Mr. Kevin Page: Yes. It is not up to me, as Parliamentary Budget Officer, to recommend an option over another. My role is rather to make an adequate interpretation and analysis of the legislation. When we made our analysis, we determined that the Bloc Québécois policy intentions may cost \$50 million a year. This is higher than the Bloc's first estimate but it is different from the government estimate.

Mr. André Bellavance: You said the maximum is \$53 million. Your estimate is anywhere between \$9 million and \$53 million.

Mr. Kevin Page: Yes, but as I said, when we do a good analysis, we examine— There are three steps to our analysis. The first is to draft terms of reference. We did that. We made some minor financial comments when examining both scenarios but we are now in the second step. Right now, according to our calculations, there is generally a financial impact of about \$50 million a year.

Mr. André Bellavance: Mr. Page, I simply want a specific answer. You nodded but I want your answer to appear in the record. I said that you were provided with two scenarios and that your role is simply to assess them, period. You do not have to pass judgment on the validity of any scenario per se.

Mr. Kevin Page: No, I do not pass any judgment.

Mr. André Bellavance: Therefore you assessed the scenario we presented to you because you cannot change this scenario.

Mr. Kevin Page: No.

M. Kevin Page: Mr. Khan, can you answer please?

Mr. Sahir Khan: Mr. Bellavance, I just want to add that, as analysts, we need at least four things in order to assess costs. We have to determine who is entitled to claim this credit, whether it is transferable, who will benefit and whether or not it is refundable. This is the minimum we have to ascertain from the bill. The way the bill is drafted allows at least two interpretations, maybe three or four. There are other interpretations. For us, it is not about passing judgment on the policy intention. We only want to identify these four things in order to assess costs and give you a relatively accurate estimate. These are the only things we need. We do not pass judgment on the policy intention.

The Chair: Thank you.

Mr. Bellavance, you have the floor.

Mr. André Bellavance: When we introduce such a bill, we try to be as specific as possible. The Conservatives say there is a cost of \$10 billion a year. In fact, this is about the cost of their decision to cut the GST by two percentage points which deprived the public purse of \$12 billion or \$13 billion a year.

In the case of our bill, we were wondering where this was coming from. We asked the Parliamentary Information and Research Service of the Library of Parliament to prepare several scenarios. Here is what the Library of Parliament paper, drafted by an economist, said about the \$10 billion a year scenario:

As determined in the light of the provided scenarios, it would take a complete breakdown of pension funds for the proposed legislation to cost more than \$10 billion a year.

Would you agree with this statement? For the cost to reach \$10 billion, it would take a complete breakdown of all pension funds.

• (1550)

[English]

The Chair: Please give a very brief response.

Mr. Kevin Page: Well, again, without making any policy distinctions, if we open up this program to provide a refundable tax credit to all eligible people, you would be looking at costs of \$10 billion, \$11 billion, or \$12 billion annually. We don't go further than that.

The Chair: Okay. Thank you.

Merci.

We'll go to Mr. Wallace, please.

Mr. Mike Wallace: Thank you, Chair.

I want to thank the budget officer's office for their efforts on this.

I moved a motion to send this piece through. I think all private members' bills should go to your office to be evaluated based on the estimates that are floating around, so that we at least have an idea.

If we need further information, Mr. Page, I think you've indicated that there are more detailed opportunities, and instead of trying to rush these things through, maybe we should be looking at them. I would encourage movers of private members' bills to get these things costed instead of guesstimating, which is what they're doing.

Just to be clear, in the report you gave us, after step one, based on the information you got from the government and from the Bloc—I don't think I heard any disagreement from the Bloc today—there is a potential, based on the reading of its refundability and who it applies to, of up to \$10 billion.... And the government's estimates are reasonable. You say that in your report. Is that accurate?

Mr. Kevin Page: If this were made available to all pensioners, yes, it is.

Mr. Mike Wallace: I've been reading this bill over and over. You said "reduced as a result of financial distress by the sponsoring firm" in your opening statement. Does the two-page bill talk anywhere in its actual wording about distressed financial firms? Does it actually mention refundability? We talked on Tuesday about bankruptcy; I don't see it mentioning bankruptcy. So first, then, did you see any wording that leads you there?

Second, based on your analysis—I know you're not lawyers—would you agree that the wording is such that it is open to the interpretation you just gave, that it applies a lot more broadly than to the two firms they're claiming, and that in actual fact, based on the wording that's here now, the likelihood of its applying to just the two firms is pretty slim?

Mr. Kevin Page: Well, our reading is that it's open to multiple interpretations.

Just to pick up on some of your points, Mr. Wallace, certainly you can find the words you mentioned; you can find words such as refundable tax credit. But as Mr. Khan said earlier, we're financial analysts. We're effectively bean-counters. There are four things that we need, as Mr. Khan suggested.

We need to be able to pull out who the eligible people are. Are there transferability issues? What are the magnitudes of the benefits? Those are the only things we look for, sir. The rest of it is beyond our capacity as financial analysts.

Mr. Mike Wallace: Right.

So let's be frank. Some of your reports have talked about our estimates compared to yours in terms of future budget deficits and an ability to get back to a balanced budget. Is it not irresponsible to have that kind of flexibility on private members' bills when we don't know what the financial cost is for Parliament to move forward? Would that not affect your future predictions?

Mr. Kevin Page: We do our predictions, as you know, sir, based on what is law at the time. We're happy to provide these types of estimates on private members' bills, as you suggested, so if this were to become law, we would have to build it into our projections. I think, as you noted, that over the next five years there aren't fundamental differences in the magnitudes of our fiscal projections and those of the Department of Finance. There are some differences on interpretations.

Mr. Mike Wallace: Right, but a new \$10 million bill that you didn't expect would change your estimate, would it not?

Mr. Kevin Page: It's \$10 billion. Yes.

Mr. Mike Wallace: Yes. Thank you very much.

Your piece to us talks about \$5 million or \$6 million at the low end, but even in a very conservative view of what it actually applies to, it could go up to about \$53 million. Is that accurate? For me, and I think for most people watching, that jump from \$5 million to \$53 million is significant. What's causing that gap?

Mr. Kevin Page: Again, we didn't complete the full three steps that we normally do for these private members' bills in order to do proper costing, but the difference that takes you from \$5 million to \$50 million per year is effectively the number of plans that you would have to cover under this refundable tax credit. You could go from a handful to somewhere ranging upwards of 60 in what average costs could be in terms of the fiscal framework.

• (1555)

Mr. Mike Wallace: There was a discussion that others are covered because there are provincial insurance programs put together by provincial governments that basically cover deficit. I know that it was a preliminary review, obviously, but from your knowledge and from what you've been looking at, does that actually affect what's in here?

Also, does every province have an insurance program that covers pension deficits if a company goes bankrupt? Or do you know that?

Mr. Kevin Page: Perhaps Jason might want to talk briefly about the federal-provincial splits and what's available in terms of those types of policies.

Mr. Jason Jacques: To answer your last question first, not every province has a pension benefit guarantee program. I think one that most members would be familiar with is Ontario's. That would cover approximately 40% of the registered pension plans across the country. The pension benefit guarantee program for Ontario, roughly speaking, would insure up to the first \$1,000 of lost pension benefits. That's a rough calculation; the precise calculation takes an actuary to fully understand and appreciate.

Those calculations and those insurance benefits are not explicitly included within the sensitivity analysis. Because again, from a legal perspective, when we received advice on the bill and when we looked at it at the outset, we didn't actually see clear language as to whether those benefits would be included or not.

But I'd like to point out that even if you include the 40% of the plans covered in Ontario, although the numbers would diminish somewhat, you'd still have an annual range of approximately \$6 million up to maybe \$25 million.

Mr. Mike Wallace: Thank you.

Thank you, Mr. Chair.

The Chair: Mr. Marston is next.

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

This is a very interesting discussion, given that huge variance of numbers from a few million to a billion.

The issue of plan solvency was raised earlier, but for the purposes of your assessment of this bill, are we able to say that insolvency occurs when a plan cannot meet its current obligations at the moment when they raise the issue of insolvency? Or is it when they look at that moment and include future liabilities in their calculations?

Mr. Jason Jacques: On the definition first, in the case of solvency, it's current and future obligations, so it's projected obligations over the life of the plan.

But I'd like to point out that when we did the calculations focusing on the Bloc Québécois interpretation, the assumptions, we took a very narrow definition that looked only at plans that had been terminated, so where there's a formal filing of termination with the provincial or federal regulator, and that had been terminated only due to financial distress or bankruptcy of the sponsoring firm.

In those situations, the research, as has been pointed out by many people, clearly indicates that if the company goes bankrupt, typically its pension plan is insolvent at that point as well. There's a tight correlation between those two things.

Mr. Wayne Marston: One of the things we've been seeing is that within CCAA there seems to be a move occurring within some businesses to use CCAA to hide behind, to offload their pension liabilities. We've also seen, in collective bargaining.... For instance, U.S. Steel in Nanticoke wanted to go from defined benefit to defined contribution, and they had a lockout of their employees for nine months to try to drive to that end.

So I can understand why the Bloc has brought forward something of this nature, because if you go to work for a company and they put some deferred wages away—they call them payroll taxes now instead, but it's deferred wages—in my view, that's the property of those workers.

But this shift calls for some action of this sort. We've talked about a national pension insurance plan, for instance, and of course we can have the debate on the costs and who pays and all those kinds of things, but I'm very concerned.

Mr. Ambachtsheer was here and was talking about the fact that he believes private pension plans, like banks, should be regulated, that we've done relatively well in the banking section. I'll give credit to the government. They had opportunities before to make changes that they didn't make and, as a result, we went into an economic crisis in a better fashion than we might have experienced otherwise.

So in this case, what would you think of the idea of a similar kind of regulation? The government has made moves on how much they can put away on a good day to save towards the crisis we've just seen. Do you think that would be a reasonable thing to do?

• (1600)

Mr. Kevin Page: Well, sir, to be honest, we've been kind of trained to stay away from the policy issues. We seem to get into enough trouble as it is.

Voices: Oh, oh!

Mr. Kevin Page: I think you're right, though. When you are designing legislation and when we are costing legislation, you want to look at behavioural impacts.

In that context, if there were clarity, including clarity on Bill C-290 as to what the intent is and whether we have the legislation right, we would make some assumptions of what the potential behavioural impacts could be.

But other than that, sir, we stay away from policy recommendations.

Mr. Wayne Marston: In the work you do, have you seen any mechanisms across the country that can actually tell you what the viability is of any given pension plan at any point in time? Is there a place that people can turn to in order to say that this plan is healthy and this one is at risk? Perhaps we should be watching plans somehow or making some kind of move politically that might be able to assist.

Mr. Kevin Page: Sir, I'm going to let Jason answer this question, because he has spent some time with Alberta and Nova Scotia, where they tend to do a better job. This is an area in which I think we could probably do a lot better in transparency across the country.

Jason.

Mr. Jason Jacques: Actually, in comparison with the other witnesses you've had, I don't think we have a lot to add, apart from noting that when we went through the exercise of looking at the number of pension plan terminations owing to bankruptcy or financial distress, the most fair and equitable thing to say was that there is a significant variance across the provinces with respect to what's reported.

Within our correspondence, we indicate that there are only two provinces that report on an annual basis how many pension plans have been terminated owing to the financial distress of the firm; now, they don't report that publicly within their annual reports. But there were another three provinces that don't produce annual reports and there was one province that suggested we file a freedom of information access request when we asked for the information.

I think the easiest thing to say is that for provincially regulated plans, at least, there is a significant level of variance in what's actually out there and what's available.

The other thing I'll mention with respect to Alberta and Nova Scotia is that their reporting of the reason and the rationale behind the terminations is a relatively recent thing. There has been a push for greater transparency on behalf of the beneficiary. This is something that has come about over the past three or four years or so.

The Chair: I'm sorry, but the bells are starting to ring. The committee cannot sit while the bells are ringing unless we have unanimous consent. We do have to go to the House for a vote.

Colleagues, my understanding is that the vote is at 4:30, so we'll resume here after the vote, and we'll do clause-by-clause.

Hon. John McKay: I'd ask you to seek unanimous consent.

The Chair: Do I have unanimous consent?

Hon. John McKay: Well, we're less than 25 metres from the—

The Chair: Okay.

There has been a request for unanimous consent.

Mr. Mike Wallace: That's no problem. Are we going to go to clause-by-clause?

Mr. Wayne Marston: No, we're going to stick with this.

The Chair: The request is to go, by unanimous consent, to 4:15 or 4:20.

Hon. John McKay: Let's make it 4:20.

The Chair: Do I have consent to go until 4:20?

Some hon. members: Agreed.

The Chair: Okay.

Mr. Marston, you have about a minute and a half.

Mr. Wayne Marston: Well, I got most of my questions in before the bell, so I'm quite happy to pass to the other side at this point.

Thank you.

The Chair: Thank you.

Mr. Pacetti is next, please.

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

I'm sorry I missed the opening comments, Mr. Page, but thank you for coming.

I have a quick question. On page 3, you say "extrapolated nationally". What worries us is the extreme numbers you have; it could be either in the millions or in the billions, as other MPs have suggested.

When the Bloc members testified the other day, they indicated that they looked high and low and couldn't find any companies that met these criteria, other than the two they mentioned, which were Atlas and Jeffrey, but on page 3 you say there are other companies that would fit immediately into this bill.

Mr. Kevin Page: Again, this is information—

Mr. Massimo Pacetti: I don't know if somebody has already asked you or if you've already addressed it.

Mr. Kevin Page: This is information we obtained from the provinces of Alberta and Nova Scotia, which we then extrapolated up to provide a national—

● (1605)

Mr. Massimo Pacetti: I'm sorry; I should have been clearer. Which names have you found that would fall under this bill?

Mr. Kevin Page: If you mean names of specific companies that have had financial distress, I don't know if we have specific names here today.

Mr. Jason Jacques: No, we don't. We followed up with the two provincial regulators, but given that we didn't have clarity back from the committee with respect to the underlying assumptions, we didn't actually ask for the individual names; it would have required additional effort on the part of the provinces to give the information to us, and we didn't know how much information the committee was actually looking for.

Mr. Massimo Pacetti: I'm asking only because the sponsor of the bill indicated there were no other companies that would be affected. That starting point is quite important. If there are no others, it's easy to extrapolate, but if we don't have to extrapolate, then we are looking at an estimate at the lower end of the scale instead of the higher end of the scale. It's just to get an idea of how much this bill is really going to cost. If there are no companies, then we are probably closer to the lower end of the scale, and that would make me feel much more comfortable.

I'll give the rest of my time to John. If you do find the names, I'd appreciate it.

The Chair: Mr. McKay, you have about four minutes.

Hon. John McKay: I know that as a sort of operating technique a great way to kill private members' bills is to simply get the government to say that the whole thing is way too expensive and we can't possibly do it, and then you arrive at some dream-type numbers....and \$11 billion certainly seems to be at the upper end of the dream number.

That said, it's also disconcerting that this range is so extreme as to not give you any comfort or any appeal. You are the Parliamentary Budget Officer. You are here for all members of Parliament. You do have a heck of a lot of courage in the face of a lot of criticism, particularly on the part of the members on the other side. I'm inclined to think you've given us about the best advice you can under the range of assumptions that you've given us.

What makes me mildly concerned is your last sentence on page 3, just before "Next Steps", which is that "...the assumptions underpinning the Bloc Québécois estimates may underestimate the costs of proposals given the potentially greater number of distressed RPPs". The words "may underestimate" may be the understatement of all time.

I'm not quite sure how to square this circle. I suppose I circle back to the notion that unless there is an agreement between the government and the Bloc as to what the bill means, your job becomes virtually impossible. You've come here and said that under this set of assumptions, it's this, and under that set of assumptions, it's that. I don't know that we're a heck of a lot further ahead. That's the problem.

Then we're being asked to go to clause-by-clause study and vote up or vote down based upon an absurd range.

I know you're not legislators, but what is it in the bill itself that would take out the discrepancy between the government's underlying assumptions and the Bloc's underlying assumptions?

Mr. Kevin Page: Well, sir, I think it's perhaps as we see here, or as Jason mentioned earlier, there are, again, four things that we really need to kind of nail down so that we can do a proper costing. Again, I apologize that we have to provide this broad range, but it's based on very different policy intents from a costing by the government and the policy intent of the Bloc Québécois.

But we need to be clear on the eligibility. Does a tax benefit apply to retirees currently receiving pension income, or does the extent include members who will have their future retirement benefits reduced as a result of RPP impairment?

We need to be clear on transferability. Could the original RPP benefits be transferred to a surviving spouse? Can the tax credit be similarly transferred or not?

Then, with respect to the benefit, does the tax credit apply to all beneficiaries of pension income from registered pension plans or only those who have their pension income reduced, as I think the intent is of the Bloc Québécois?

And refundability: is the tax credit refundable or not?

So on those four things, if we can get clarity, we can come back to you, not on a costing from effectively \$10 billion, \$11 billion, or \$12 billion to \$5 million to \$50 million—some variation depending on economic and fiscal uncertainty—but we can provide you a much better estimate.

● (1610)

Hon. John McKay: So really, until we come together on those four questions, you're just going to be going around in circles.

Mr. Kevin Page: That's right, sir, and that was the reason why we sent the letter to Mr. Rajotte on May 14.

Hon. John McKay: Okay. Thank you.

The Chair: Thank you.

Thank you, Mr. McKay.

Monsieur Carrier, s'il vous plaît.

[Translation]

Mr. Robert Carrier (Alfred-Pellan, BQ): Good afternoon, Mr. Page.

As I understand it, while the government estimate is \$10 billion, you still made a prudent prediction of about \$50 million. I think this is what you wrote in your letter of May 14. Is this correct?

Mr. Sahir Khan: The cost can vary from \$5 million to—

Mr. Robert Carrier: —to \$50 million.

Mr. Sahir Khan: Yes, it can go up to \$53 million.

Mr. Robert Carrier: Then we are not talking about \$10 billion any more. So you have done some analysis apart from costing the bill.

Mr. Sahir Khan: This is correct.

Mr. Robert Carrier: You are the Parliamentary Budget Officer. This means you are not simply a tax or financial expert. You are also familiar with all parliamentary rules. In your analysis of the bill, did you take into account provincial legislation protecting pension plan funding? This issue was mentioned last Tuesday by those who introduced the bill. Indeed, in Quebec, for instance, Bill 30 requires companies to fund their pension plans at 115%, I think. Ontario and possibly other provinces have similar legislation.

This really changes the whole picture. Obviously, the bill we are considering is important for two specific firms employing 1,400 workers whose representatives testified here. This is still problematic but the problem should lessen and even disappear in the long term with the implementation of this legislation. I wish your study could confirm that the cost of the bill will be limited now that the provinces protect pension plans. I do not know if Conservatives are listening but I would like them to hear this comment.

[English]

Mr. Kevin Page: Well, we didn't progress as far as we would have liked to in terms of our estimations because we thought we were dealing with a lack of clarity in terms of some of those key issues that I've outlined. But if we were to get some clarity on eligibility and transferability, the benefits refundability, if there's a policy intent to protect certain income that's provided through other sorts of plans and that was written into legislation, we could look at that as well and come back to you with a refined estimate.

But it's because what we saw, which I think reflects the wide range, we just...underneath it, we saw that there's just a lack of specificity in terms of proposed legislation. It was hard for us to do these estimates.

Jason, did you want to respond to some of the provincial variabilities in terms of offsetting costs?

The Chair: There's about a minute and a half left.

Mr. Jason Jacques: The only thing I would add is that with respect to the Bloc Québécois estimate we focused on the key cost drivers. Those were the frequency and the number of occasions, the number of plans, that would fall under and be captured by this proposed legislation.

The Bloc Québécois methodology identified two case studies over a period of three years. That's why we focused on looking across the country to see if in fact those two, over a three-year period of time, are actually representative of the entire country.

[Translation]

Mr. Robert Carrier: I am sorry to interrupt but we have to go on.

We know that the government is not the only one with the capacity to make legislation and govern in this country. Provincial governments can also influence pension plans. This is an important aspect of the assessment of the cost of this bill.

It should not be rejected on the assumption that the federal government will alone be held responsible for pension plan future losses. Provincial governments now have legislation protecting pension plans.

•(1615)

Le président: Are there any questions?

Mr. Robert Carrier: This is an important aspect. I am disappointed to find out that you did not mention it. This is a very limited study.

Mr. Sahir Khan: When we began our study, we initiated discussions with several provinces. At that time, only a few data from two provinces were available.

If members of the committee still want additional information while examining the bill, we can continue our work and analyze data from other provinces and the federal government in order to better estimate the number of plans that may be eligible under the bill.

[English]

The Chair: Okay. *Merci*.

I'm going to take the next Conservative round.

We had a witness here on Tuesday, Mr. Fréchette, who I thought gave us a very good presentation. His presentation outlined how, in his case, the company pension plan did well at one point—well enough that it was eligible for a contribution holiday, which it took—but then the plan did not do well. It encountered some challenges and was underfunded, and this caused the situation that the company and thus the retirees found themselves in.

Obviously, the question that then pops into someone's mind is whether this applies to all unfunded registered pension plans that are distressed. That's the reason for the difference in the estimate. The Nortel example obviously pops into one's mind; the answer given is that it does not apply to Nortel because it's registered provincially in Ontario, and there's a provincial program in place in Ontario, the pension sustainability fund, which Mr. Wallace referred to.

But I just want to clarify the answer. Because one province, such as Ontario, has a program like that in place, does it mean that this bill, if it were in place with the changes it's asking for, would not have effect in the province that has this pension sustainability fund?

Mr. Jason Jacques: I think the safe answer is “not necessarily”. The specific answer to your question is that in the case of Ontario, it insures approximately the first \$1,000 of lost pension income, so if you lose more than \$1,000, you could assume, if it were narrowly drafted and drafted in such a way as to incorporate any provincial benefits, that you would not receive a tax credit for that first \$1,000 that Ontario covers; for any additional amounts that you lose that were not covered by the Province of Ontario, you could imagine that you would receive a tax credit.

Again, owing to legislative ambiguities with respect to the drafting, we didn't necessarily take that into account.

The Chair: I appreciate that clarification.

Mr. Page, I have your letter to me of May 14, which I forwarded to all members of the committee.

In response to Mr. McKay, you listed four questions. They were good questions, but I don't see them in the letter. Are they in the letter somewhere? Am I missing them? Can you repeat the four questions, just for my reference, or if they're in document form...?

Mr. Kevin Page: Yes, sir. We can provide them to you in a document form. I'd be happy to repeat them, if you like.

The Chair: Can you go over them now?

Mr. Kevin Page: Certainly.

There are four issues: eligibility, transferability, benefit, and refundability.

On the first issue, eligibility, the question is whether the tax benefit applies only to retirees currently receiving pension income or whether it extends to include members who will have their future retirement benefits reduced as a result of RPP impairment.

The second issue is transferability: if the RPP benefits can be transferred to a surviving spouse, can the tax credit be similarly transferred or not?

The third question is with respect to benefit: does the tax credit apply to all beneficiaries of pension income from registered pension plans, or only to those who have had their pension incomes reduced?

The final issue is refundability: is a tax credit refundable or not?

The Chair: On the last question, my understanding—the mover can correct me—is that the tax credit is refundable. As to the other three questions, I have to admit that I'm not certain what the answers are, but I appreciate that.

In essence, you're saying that the answers to these four questions account for the difference between the large \$10 billion or \$11 billion figure and the Bloc Québécois figure.

Mr. Kevin Page: Correct.

The Chair: You need these clarified before you can answer.

• (1620)

Mr. Kevin Page: Correct.

The Chair: I appreciate that very much.

Colleagues, it is 4:20. We will proceed to the House and come back immediately after the vote to begin clause-by-clause consideration of this bill. We will suspend the meeting until then.

Thank you very much, Mr. Page and colleagues.

• (1620)

_____ (Pause) _____

• (1645)

The Chair: I call this meeting to order, colleagues.

We'll go right to clause-by-clause consideration of Bill C-290. I will call the clauses in order and ask if there's any debate.

(On clause 1)

The Chair: With respect to clause 1, shall clause 1 carry? Do we have debate, Mr. McKay?

Hon. John McKay: I'll speak to the general principle here.

I don't know which number causes me greater difficulty, the \$5 million from our friends in the Bloc or the \$11 billion from the government. If in fact it's the \$11 billion from the government, on a revenue base of personal income tax of \$116 billion on an annual basis, that's pretty incredible when you think about it. You're taking \$11 billion out of the government's revenue stream. That doesn't make a lot of sense to me.

On the other hand, the Bloc's number doesn't make much sense either. It does seem to me that the government has larded up its number to the point that it's almost at a level of impossibility.

Taking \$11 billion from a personal income tax revenue base of \$116 billion means that seniors are paying a grossly disproportionate

share of income tax on an annual basis, and I don't even think that's true; yet, to my friends in the Bloc, I have to say that to think this is only \$5 million equally doesn't make sense.

Mr. Page says I need the answers to four issues. That was his last statement to us. The issues are refundability, transferability of benefits, eligibility, whether it's current or applies to the past, and things of that nature. Those are all pretty darn legitimate questions.

I don't know how to vote—how one can support this under the circumstances. That's my gut reaction.

• (1650)

The Chair: Thank you, Mr. McKay.

Go ahead, Mr. Wallace.

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

We're obviously not supporting this bill.

I have to take slight exception to the words Mr. McKay used: "larding up". The government has an estimate based on the wording that actually exists in the bill in front of us. How many clauses are there? There are about two or three. From the actual private member's bill, it was clear to us, regardless of whether you think it's one or the other, that the likelihood that it applies only to these two companies in Quebec is not accurate. It will be bigger than what they're estimating.

Based on other insurance programs that exist through the provincial system, it may not get to the \$10 billion or \$11 billion, but based on the wording that is there, including the refundability piece, we need to be very cautious about supporting this bill. I will not be supporting it and I encourage my colleagues, because of the wording in this bill, not to support it either.

Thank you, Mr. Chair.

The Chair: Thank you, Mr. Wallace.

Go ahead, Monsieur Bellavance, *s'il vous plaît*.

[Translation]

Mr. André Bellavance: Thank you, Mr. Chair.

Contrary to Mr. Wallace, I intend to support the bill. I just want to clarify one point. Mr. Page says he has no answer to certain questions but his team met with our researchers and my assistant. My colleague, Mr. Plamondon, was also in attendance. His team had many questions to ask about the bill. Our answers to these questions can be found in his own document.

He talks about the eligible group. We explained that it includes all retirees receiving funding from a registered pension plan. We talked about qualifying conditions. The Bloc Québécois said that pension income must have been reduced due to financial distress of the sponsoring firm. Other questions related to benefits and to the refundable tax credit. I was surprised when he said that he did not know whether or not the tax credit was refundable. We are talking about a 22% refundable tax credit on the lost portion of pension income.

As to transferability to surviving spouses, his team did not ask any specific questions about that. My answer is that the tax credit is transferable, not at a rate of 100%, but part of the credit would be transferable to surviving spouses.

We gave the answers, Mr. Chair. I just wanted to clarify this point for the benefit of our colleagues.

[*English*]

The Chair: Do you want to debate this again, Mr. McKay?

Hon. John McKay: Yes, please.

I have some sympathy for and familiarity with private members' bills and I know how much work it is to get it from over there to here, but I can't vote on something based upon private conversations with the Parliamentary Budget Officer. I'm somewhat in the position of saying a pox on both your houses; I tend to think you've done as good a job as you can possibly do given the limitations you're under, and I have a better appreciation than most for the limitations you're under.

To suggest that seniors pay, if you do the math, between \$30 billion and \$40 billion of the \$116 billion worth of revenues generated on personal income tax is ludicrous, just ludicrous. I used the phrase "larded up" to describe the numbers the government has provided; I think they basically dumped everything in there, including the kitchen sink, and tried to scare members away.

That's the dilemma I find myself in.

•(1655)

The Chair: Okay.

I will just remind members, especially on the opposition, that you have the numbers, so I'm not sure why you're debating this, but we will keep debating it, then.

Mr. Marston, please.

Mr. Wayne Marston: For me, it's not the huge dilemma that it is for our Liberal friends. Many times when you have a huge schism between two points, the truth remains somewhere in the middle. I have no trouble supporting the ideal of this bill. I realize where it's going.

Thank you, Mr. Chair.

The Chair: Okay. Thank you.

[*Translation*]

Mr. Carrier, you have the floor.

Mr. Robert Carrier: We are now discussing clause 1. When examining these provisions, we first discuss substantive issues. It is important to remember that the Parliamentary Budget Officer acknowledged that he did not account for provincial legislation now protecting pension plans. That would have made a great difference and would have placed our bill in a very different context.

We are more familiar with Quebec legislation—Bill 30—which now requires 115% funding of pension plans. Ontario has similar legislation. I believe the Parliamentary Budget Officer should have underlined this point rather than analyzing the bill as if only the federal government were involved. This changes the context of the issue.

Rather than laughing at the situation because things seem to be going their way, members across should consider the case of the workers who came here to testify because they were losing their pension. This is what all this is about.

Personally, I think the maximum estimate established by the Parliamentary Budget Officer, that is \$50 million, is totally unrelated to the \$10 billion representing the total of all pension plans. In my opinion, this is a reasonable amount even in the absence of a complete analysis of the situation in each province.

We cannot abandon people who are so distressed. If we agree on the intention of the bill, we should pass it.

[*English*]

The Chair: *Merci.*

All right. I'll call the question. Shall clause 1 carry?

Mr. Richard Harris (Cariboo—Prince George, CPC): Carried.

Some hon. members: Oh, oh!

Mr. Mike Wallace: No, we don't want it to carry.

The Chair: Does it carry?

Mr. Mike Wallace: No, I want to see them vote. I want a recorded vote.

The Chair: You want a recorded vote?

Mr. Mike Wallace: I want to see the Liberals vote on this.

The Chair: Order. That's fine. You can ask for a recorded vote.

(Clause 1 agreed to: yeas 5; nays 4)

The Chair: Okay. That's five to four and that carries.

Shall clause 2 carry?

On a recorded vote?

Some hon. members: No.

The Chair: Okay, not on a recorded vote, shall clause 2 carry?

Some hon. members: Agreed.

Some hon. members: On division.

(Clause 2 agreed to on division)

The Chair: Shall the title carry?

Some hon. members: Agreed.

Some hon. members: On division.

The Chair: The title passes on division.

Shall the bill carry?

Some hon. members: Agreed.

Some hon. members: On division.

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

Some hon. members: Agreed.

Some hon. members: On division.

The Chair: Okay. It's on division.

Merci.

Thank you. That's all I have, colleagues. We will see you on Tuesday.

The meeting is adjourned.

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