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Wednesday, May 28, 2008

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Chair

Mr. Rob Merrifield

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• (1540)

[English]

The Chair (Mr. Rob Merrifield (Yellowhead, CPC)): Seeing as we have enough members and witnesses, we'll call the meeting to order.

Sorry about being late. I had to table a minor report in the House. We got that looked after, thanks to the good work of the committee.

We'll now move on. Today we have witnesses here from the Department of Finance who want to deal with a motion that we had with regard to estimates. I would imagine we have a presentation by the witnesses. We will entertain that at this time and then proceed to questioning.

The floor is yours.

Mr. Brian Ernewein (General Director, Senior Assistant Deputy Minister's Office, Tax Policy Branch, Department of Finance): Thank you, Chair.

My name is Brian Ernewein, and I'm the general director of the tax policy branch at the Department of Finance.

As we understand it, we were asked to attend today to speak about the two panels that were set up and for which provision was made in the supplementary budget estimates. I would like to offer a few moments of explanation on the advisory panel for international taxation.

We're also available to answer questions you may have regarding the budget relating to the panel and its supporting secretariat.

To start off, Canada's system of international tax is one of the most complex areas of our tax system, yet these rules are of crucial importance in attracting foreign investment into Canada and supporting Canadian corporations that do business abroad.

Significant changes to our system of international tax were unveiled as part of Budget 2007 and the anti-tax-haven initiative. I had the pleasure of being here before the committee following the announcement in 2007 and the May 14 changes to the anti-tax-haven initiative.

Those changes included, among other things, the non-deductibility of interest expenses incurred as part of so-called double-dip financing structures, the elimination of withholding tax on all arm's-length interest payments to non-residents, the progressive elimination of withholding tax on interest payments to non-arm's-length U.S. lenders, and the extension of the existing exemption for certain dividends received from foreign affiliates, the so-called exempt

surplus system, to dividends received from foreign affiliates located in countries with which Canada has signed an agreement concerning the exchange of tax information.

Also announced as part of Budget 2007 was the government's intention to create an advisory panel to review our current system and identify ways to improve its competitiveness, efficiency, and fairness.

The advisory panel was formally established on November 30, 2007 by the Minister of Finance. I believe we provided to the clerk yesterday the copies of the press release announcing this. The panel is chaired by Mr. Peter Godsoe, former chief executive officer and chairman of the Bank of Nova Scotia, and Mr. Kevin Dancey, now president and CEO of the Canadian Institute of Chartered Accountants, who acts as its vice-chair. Other members of the panel are Mr. James Love, Mr. Guy Saint-Pierre, Mr. Nick Pantaleo, Mr. Finn Poschmann, and Ms. Cathy Williams.

The panel's mandate, which was released with the announcement, is to review and assess the existing system of international taxation, to identify issues that arise under the system, to identify and assess possible options to address these issues, and to present detailed and specific recommendations for consideration by the government. The panel is to present its analysis and recommendations in a report to be submitted to the Minister of Finance by December 1 of this year.

As shown in the supplementary estimates, the funding allocated for 2008-09 for the panel's work is \$3.76 million. This figure covers a number of activities. An important aspect, obviously, of the panel's mandate is to consult with stakeholders to obtain their input as to how the current system can be enhanced.

On April 25 of this year, the panel released a consultation paper identifying a series of questions about Canada's system of international taxation. It set out some of the panel's initial views and invited public comments on how to improve the competitiveness, efficiency, and fairness of the existing system.

The panel, as we understand it, will be receiving written submissions from interested parties until July 15, 2008, and many meetings between the panel and important groups of stakeholders are also being planned for the same period.

Research and analysis are two other important components of the panel's work. About a dozen research projects will be commissioned by the panel to study specific issues and aspects of Canada's system of international taxation. The panel and its work are supported by a secretariat headed by an executive director who reports to both the chair of the panel and the senior assistant deputy minister of tax policy at the Department of Finance.

Although formally a part of Finance, the secretariat is housed at a separate location and works at arm's length from the department so as to preserve the independence of the panel from the government. Nonetheless, all government rules and guidelines, notably those applicable to contracting, continue to apply to the panel and its secretariat. The Department of Finance retains signing authority for expenses relating to the work of the panel and its secretariat, including for contracts.

Finally, members of the panel have agreed to serve on the panel on a pro bono basis. They are reimbursed only for travel and accommodation expenses relating to their work in accordance with Treasury Board approved procedures. The Department of Finance has the responsibility to ensure that reimbursements are consistent with these procedures.

Thank you.

The Chair: Thank you very much.

We'll now open it up to questions.

Oh, we have two more presentations, fair enough.

Mr. Serge Dupont (Assistant Deputy Minister, Financial Sector Policy Branch, Department of Finance): If you wish, we could put the panels together.

The Chair: We will go with both first, and then we'll go to questions and answers.

[*Translation*]

Mr. Serge Dupont: Thank you, Mr. Chair.

My name is Serge Dupont. I am assistant deputy minister in the financial sector policy branch. I would just like to speak to you about the Expert Panel on Securities, the other group mentioned in the supplementary estimates.

In Budget 2007, the government laid out its long-term plan for improving Canada's capital markets, with a document, that I think you have received, entitled "Creating a Canadian Advantage in Global Capital Markets". A cornerstone of this plan involves establishing a common securities regulator and advancing an approach to regulation that is more principles-based, with strong enforcement.

The government has made it clear that it favours a common securities regulator, not a federal one, and that it intends to be respectful of the jurisdiction of the provinces and territories. Indeed, the government has stated that it intends to build on provincial efforts to harmonize and simplify the regulatory regime.

As promoted in the 2007 Capital Markets Plan, a common securities regulator would encompass a governance structure that is representative and responsive to regional perspectives, strengths and needs. It would have one set of principles, supplemented by one set

of rules and it would levy one set of fees. Its benefits would include clearer accountability and more responsive decision-making in a rapidly evolving capital market, strengthened capacity for enforcement, and a stronger voice internationally.

Ultimately, the government's objectives are to give enterprises of all sizes better access to capital at more competitive costs, to provide investors with increased investment choices and better protections, and to create more jobs.

● (1545)

[*English*]

In pursuit of this effort, in June 2007 the Minister of Finance convened a meeting with his provincial and territorial counterparts responsible for securities regulation. Following the meeting the minister committed to form a third-party expert panel to advise ministers on the best way forward.

The government appointed the panel of experts in February of this year. It is chaired by the Honourable Tom Hockin, a former Minister of State for Finance and a former president of the Investment Funds Institute of Canada. Other panel members are Ian Bruce, CEO of Peters and Company in Alberta; Denis Desautels, the former Auditor General; Hal Kvisle, president and CEO of TransCanada Corporation; Dawn Russell, associate professor and former dean of law at Dalhousie University, also a member of the Crawford Panel; Terry Salman, who is chairman, president, and CEO of Salman Partners in B.C.; and Heather Zordel, a partner at Cassels Brock and Blackwell.

The secretariat for this panel is staffed and paid by the Department of Finance. Many of the comments that Mr. Ernewein mentioned with regard to administrative arrangements hold for this panel as well. Panel members, for example, are committing their time and expertise on a pro bono basis. The department reimburses their travel and accommodation expenses.

The panel is examining in practical ways how to enhance the effectiveness, the content, and the structure of capital markets regulation. It is building on the work accomplished by prior private sector groups, notably the Crawford Panel. It will provide a concrete proposal, a transition path, and a common model act based on advice from recognized experts. It will report to the Minister of Finance and to provincial and territorial ministers responsible for securities regulation by the end of the year.

The panel recently issued a consultation paper for comment and began a consultation process seeking views from experts across the country. In parallel, the minister is pursuing his own discussions with capital market participants and with his counterparts on an ongoing basis.

I look forward to your questions. *Merci.*

The Chair: Thank you very much.

We'll now move to questions and answers.

We'll start with Mr. McKay, for seven minutes.

Hon. John McKay (Scarborough—Guildwood, Lib.): Thank you, Mr. Chair. Thank you, witnesses. It's nice to see so many former friends.

With respect to the common securities regulator, as you know, the Liberal Party certainly supports this initiative. I read in the newspapers that you have engaged counsel to draft a bill. I wonder whether you could comment on that. That would be number one.

Second, with respect to the legislative initiative, is the federal government prepared to go it alone if necessary, based upon their own legal analysis of their constitutional authorities?

Third, what does \$2.8 million get you?

● (1550)

Mr. Serge Dupont: On your first question, the panel is assisted in its work by the firm of Stikeman Elliott. Along with the panel, they are holding the pen in drafting the model of common law.

Other resources that have been assigned to the panel include the Capital Markets Institute, which is leading the research program, and Sir Howard Davies, who was the first chairman of the Financial Services Authority in the United Kingdom. This was an interesting experiment because it brought together various regulatory agencies under one roof.

Hon. John McKay: How far along are you in the drafting?

Mr. Serge Dupont: In respect of the drafting of the bill, you'd have to ask the panel itself. It is residing with the panel and its advisors. My understanding is that the work is proceeding, but there are also consultations taking place.

Hon. John McKay: Do you have a timeline?

Mr. Serge Dupont: The report on the common law is to be presented to ministers by the end of the year.

Hon. John McKay: So that would be when Parliament could expect to see a draft bill presented.

Mr. Serge Dupont: I imagine it will be shared quite widely, because it will be shared with your provincial counterparts.

Hon. John McKay: The other question is with respect to Mr. Ernewein's presentation, on the issue of non-deductibility of interest expense. There's a big to-do over the original presentation. I think one very respected tax lawyer said it was the dumbest thing he'd heard out of Ottawa in 30 years. Then there was some climb-down on the part of the government. And now you appear to have created this panel, which is certainly a capable group of people.

Can you tell me whether one of the operating principles of this panel will be that no Canadian company will be put at a competitive disadvantage by virtue of these provisions?

Mr. Brian Ernewein: Part of the stated mandate of the panel is to build on the proposals put forward in last year's budget and to recommend other measures to improve the competitiveness and fairness of Canada's tax system. So the competitiveness as well as fairness will be considerations that the panel would be expected to take into account in recommending any changes.

Hon. John McKay: So we have moved away from this vague idea of fairness and actually put into the mandate of the committee

some notion that you have to be competitive in the international sphere?

Mr. Brian Ernewein: I have to challenge the premise of the question, which is that Canada's tax system, including the 2007 measures, didn't take competitiveness into account. I believe that last year's measures in extending the scope of our exemption system, not just to treaty countries but also to countries with which we sign information exchange agreements, will help to bolster competitiveness.

At the same time, the budget included proposals to constrain the expenses associated with this exempt income. It showed elements of both competitiveness and fairness in its terms.

Hon. John McKay: Your position seems to be—how shall we say it?—somewhat lonely once you go outside the Department of Finance.

The final question has to do with P3 fund investments. The money has been set aside. I take it nothing has been spent. You're proposing to put \$1.2 billion into PPP Canada Inc. as a crown corporation.

Would it be an operating principle of P3 that every funding initiative, joint or otherwise, taken by the Government of Canada or with funding partners like other provinces or territories must be overlaid with a P3 analysis?

Mr. Serge Dupont: Mr. Chairman, we had understood that the P3 would not be addressed at this meeting, because we're not in a position to answer that question with authority.

Mr. John McKay: Oh, I'm sorry.

The Chair: That's fine. He can ask the question. If you don't have the information, that's fine.

Mr. Serge Dupont: I wouldn't be able to comment.

Hon. John McKay: Okay.

You have \$2.8 million. You figure you'll get a draft bill by the end of the year. What do you see as the constitutional framework for the unilateral imposition of a common securities regulator in Canada?

● (1555)

Mr. Serge Dupont: Mr. Chair, I could only refer to the document that has been issued by the government. What it is talking about is a common securities regulator based on the willing participation of jurisdictions.

Hon. John McKay: So you're working on a cooperative model. When push comes to shove—and there has been a lot of fuss coming from Quebec and a lot of fuss coming from Alberta—are you not prepared to go it alone?

Mr. Serge Dupont: I am saying that the mandate given to the panel is quite clear. It is saying that the proposal will be respectful of the jurisdictional framework for securities regulation in Canada and will allow willing participation of provinces and territories.

The Chair: Thank you very much.

Monsieur Crête, you have seven minutes.

[Translation]

Mr. Paul Crête (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, BQ): Thank you, Mr. Chair.

Thank you for appearing so quickly after we made the request.

Let us talk about jurisdiction in securities. Is it your opinion that securities fall under provincial jurisdiction?

Mr. Serge Dupont: Let me say two things. First, the provinces clearly have the constitutional power to administer the structures that they are presently administering. However, a number of previous studies have looked at the question. I also have here the report that was completed in 2003 and that contains three legal opinions. They all make it clear that the federal government also has the constitutional power to make proposals on the question. Many opinions along those lines have been issued in the past.

This is an area of shared jurisdiction that, at the moment, is occupied by the provinces.

Mr. Paul Crête: For how long has that been the case?

Mr. Serge Dupont: For a very long time, as you know.

Mr. Paul Crête: Has it not been since the beginnings of Confederation?

Mr. Serge Dupont: In broad terms, yes.

Mr. Paul Crête: You are aware of the position of the Government of Quebec and the governments of some other provinces. How can we justify spending millions of dollars in an area of provincial jurisdiction, without provincial agreement? The last time I heard Ms. Jérôme-Forget's opinion on the question, it could not have been more clear. For her, the plan was unacceptable.

Is it not a waste of money to do research in an area where Quebec and other provinces are completely opposed? Is the government not running into a wall, and heading for legal confrontation, if we accept this kind of revenue and expense?

Mr. Serge Dupont: I think that the government must also listen to other parties, this committee, for example, which has expressed an opinion on two occasions. If I refer to the 2007 report on pre-budget consultations and to the 2006 report, this committee recommended that the government move into the area.

Mr. Paul Crête: But not unanimously, perhaps.

Mr. Serge Dupont: Perhaps not unanimously, I grant you.

The Standing Senate Committee on Banking, Trade and Commerce has made the same recommendation in the past, as well as distinguished groups from the private sector: the wise person's report of 2003, the Crawford committee in 2006, one of whose members was appointed by the Government of Ontario and that had wide representation from all across the country. International bodies have also expressed their opinion, and we can mention them too. So there have been several other parties. I feel that the government has decided to listen to those other parties too and to try to work cooperatively with the provinces.

Mr. Paul Crête: Given the present credit crisis and the crisis in financial markets, where responsibility may be shared, do you not think that provincial commissions could have responsibilities too? The superintendent of financial institutions could bear some responsibility, as could the Americans or anyone else on the planet. Is it not a little premature to conduct a study like this before we have an assessment of the situation as a whole?

Mr. Serge Dupont: I do not know if it is premature. As you know, this matter has been debated in Canada for almost 40 years. A number of studies have looked at it. Given the credit crisis and its consequences, it would be premature to come to complete and final conclusions about those events, but really, it all adds to the information that needs to be considered in determining where securities regulation has to go in Canada.

• (1600)

Mr. Paul Crête: There will be two days of meetings between the federal and provincial ministers of finance. Do you think that there will be unanimous agreement to pursue the idea of this committee, or will some provinces continue to express their firm opposition to the establishment of such a body?

Mr. Serge Dupont: I do not think that the minister is going to the meeting expecting to get unanimous agreement on the final conclusions of the expert panel, especially since that panel has not finished its work. The positions of some provinces and some ministers are well-known. The debate will continue, and the minister will bring up the matter with his counterparts whenever he has the opportunity.

Mr. Paul Crête: You are saying that the government proposes to create one common securities regulator. Does that imply unanimity from the provinces and territories? Is it conceivable that one of them will not participate in the proposed program, but that it would still be possible to put this common regulator in place?

Mr. Serge Dupont: I cannot express an opinion on that at the moment. Choices will have to be made once negotiations begin, and once discussions are held based on a report and a specific proposal. The intent is for willing participation. What will happen if not all parties are willing to be involved? It will be up to the ministers to decide and to debate situations like that.

Mr. Paul Crête: Are the provinces contributing to the funding or is the panel 100% federally funded?

Mr. Serge Dupont: It is entirely federally funded.

Mr. Paul Crête: Is that not going to skew the conclusions of the study a little?

Mr. Serge Dupont: Those appointed to the panel are people of skill and integrity. After all, they are the ones who are going to have to sign the report and make the recommendations. I feel that we can rely on their integrity.

Mr. Paul Crête: I am not questioning their integrity. I am just pointing out that the response is going to the federal government only. Since the provinces have not been parties to the contract from the outset, they have not been able to set terms for the study that would address their situations.

Mr. Serge Dupont: When the minister met his counterparts in June 2007, he proposed working together to come up with the expert panel. Their response was that they did not really want to be involved. That being the case, he said that he would form the panel, but would make sure that it sent its recommendations to all...

Mr. Paul Crête: Perhaps I misunderstood, but it seemed to me that, from the outset, when the minister met the provincial ministers, he chose not to establish a common body, but to set up common funding for the study.

Mr. Serge Dupont: No.

Mr. Paul Crête: Was it always clear that the federal government would look after all the funding?

[English]

The Chair: A quick answer on that, and then we'll move on.

[Translation]

Mr. Serge Dupont: Even when the federal government suggested working in cooperation with the provinces, it offered to provide all the funding. There was really never a question of shared funding.

[English]

The Chair: Thank you very much.

We'll now move on to Mr. Wallace.

You have seven minutes.

Mr. Mike Wallace (Burlington, CPC): Thank you, Mr. Chair. I have a few questions I'd like to ask.

I'll start with the international taxation panel. Based on this supplementary estimates (A) and getting approval, has their work plan actually been finalized? Do they know where they're going in terms of the number of meetings and all those issues? Has that been resolved yet, or are they waiting for budget approval before that happens?

Mr. Brian Ernewein: Their work is well under way, but I don't think they've mapped out all of their plans for meetings and research at this stage. They're going to be spending at least the next few months engaged in that, to come to views on the contents of their report. It's also not for us to determine for them what they're to do. They already—

Mr. Mike Wallace: I didn't ask you to determine. I didn't know if they'd provided you a plan as to where they're going.

Mr. Brian Ernewein: In terms of the work they're undertaking to do, they issued a consultation paper in April, which is intended to be the prompt for discussions with the—

Mr. Mike Wallace: And in that consultation process they are to be back to the government by the end of this calendar year. Is that correct?

Mr. Brian Ernewein: Their mandate is to submit their report to the minister by December 1 of this year.

Mr. Mike Wallace: Okay.

My next questions mostly deal with the securities regulatory body that the other panel will look at. If I read this correctly, Treasury Board approved something in 2003 with a five-year plan to start that process. Am I reading that correctly? This isn't something that happened relatively recently; you've been working on it for a number of years. And part of the money is for a renewal of that five-year funding you started in 2003.

• (1605)

Mr. Serge Dupont: That is correct, Mr. Chairman.

In 2003, at the time of the establishment of the Wise Persons' Committee, some funds were allocated to the committee itself, but also to the Department of Finance to support its own work of regulatory reform in the domain of securities. Of the \$2.8 million you see in the estimates for 2008-09, \$1.8 million is allocated to the panel and \$1 million is allocated to the Department of Finance for its own work on securities regulation, supporting the minister in his own work, doing analysis for the minister, advising on consultations with provinces, and so forth.

Mr. Mike Wallace: Assuming we approve this today, what is the role of the Department of Finance in connection with the panel? Is it a supporting role, providing information? Are you in on every meeting they have? I'd like to know what the finance department's role is.

Mr. Serge Dupont: Sure. There is no strict ongoing role with regard to the panel. What we have done is allocate resources to the panel from departmental finance staff; it's usually an executive director. These people now report to the panel. The executive director also reports to me because he's still an employee of the Department of Finance, but in a day-to-day kind of world, they are dealing with the panel, and, as indicated by Mr. Ernewein for his panel, at a separate location and working at arm's length from the department in terms of supporting an independent exercise.

Mr. Mike Wallace: This has been going on for a little while. I have a quote here from the former finance critic, Judy Wasylycia-Leis from the New Democrats. She was quoted in *The Toronto Star*, convinced of the need for a national securities regulator rather than a piecemeal provincial approach: "Canada does not seem to have the tool box necessary to deal with corporate fraud."

Corporate fraud is one of the issues the panel will be dealing with. Would you agree with the former NDP finance critic's position on this?

Mr. Serge Dupont: The government has held that a common securities regulator would assist in strengthening the enforcement effort on securities laws in Canada.

Mr. Mike Wallace: Can I ask another question from supplementary estimates (A) that is not necessarily with these two panels?

Brian, maybe you could answer—or maybe not.

Mr. Brian Ernewein: Probably not.

Mr. Mike Wallace: I'll ask the question and you can tell me if you can answer or not.

We have put aside \$180 million as an incentive for provinces to eliminate taxes on capital. Can you answer how that is calculated? How is that distributed to provinces if they do that? Does anybody on this panel know? I could ask at another time.

Mr. Brian Ernewein: I can't speak to the number itself, but the 2007 budget included an incentive for provinces to reduce their capital taxes by providing a limited period of time during which essentially the tax value or the value of the elimination of the provincial capital tax to the federal government, that is through the elimination of an otherwise deductible cost, would be made up to the provinces. The requirement was that they had to eliminate their capital tax before January 1, 2012, and the incentive, this amount, or the tax savings to the federal government for the period, would be paid over to them.

Mr. Mike Wallace: This flows from the 2007 government budget. Is that correct?

Mrs. Nancy Horsman (Director, Business Income Tax Division, Tax Policy Branch, Department of Finance): Right, and that's in relation to provincial actions that have been taken since that announcement.

Mr. Mike Wallace: I appreciate that.

Thank you.

The Chair: Thank you very much.

Monsieur Mulcair.

[*Translation*]

Mr. Thomas Mulcair (Outremont, NDP): I spent part of my career, six years, as president of the Office des Professions du Québec, which is a regulatory body. So I was in a position that may be similar to those held by some of the people who are here today.

I started working in private administration when I was 30. When someone suggested a reform, I always applied the principle of consistent management by asking myself...It is in the nature of politicians and bureaucrats to suggest reforms. When in doubt, suggest reforming something.

Before going down that road, I asked myself about the "compétence" of the federal government, but "compétence" and competence are not the same thing. The words can mean different things. Earlier, my learned friend Mr. Dupont told me...

Mr. Serge Dupont: I am not a...[*Editorial Note: inaudible*]

Mr. Thomas Mulcair: Okay. Because of the way in which you replied, I promoted you to a lawyer. But I assume you have a degree that makes you learned, don't you? If you are learned, you can be my learned friend, even if you are not a member of the Bar.

Now, back to competence. Not the constitutional kind, which we described very well a little earlier. Just plain competence. The question still arises. What would be the federal government's role? Which problems would federal interference solve? None. It was Quebec law that put Vincent Lacroix in the slammer for 12 years.

When I look at the charges as a result of the sponsorship scandal, when the Liberals stole public money to put into their election coffers, I see that none were the result of the inquiries or of the application of federal legislation. The only charges I see were laid in Quebec, and they have resulted in people going to prison.

I also notice that my Liberal colleagues who represent strongly francophone constituencies, like Mr. Rodriguez or Mr. Coderre, are

nowhere to be found when the time comes to vote on the matter. So not all Liberals are in favour of this, and they know it all too well.

So, which problems would be solved by the creation of another behemoth of bureaucracy in Ottawa?

• (1610)

Mr. Serge Dupont: There are three parts to your question. Let me start with the first.

Mr. Thomas Mulcair: You do not need to talk about Mr. Coderre.

Mr. Serge Dupont: No, I will leave him out.

The Vincent Lacroix case is indeed a feather in Quebec's cap. But you will agree that it does not deal with Canadian securities law, a matter that your predecessor as critic raised. This is a real concern with which all jurisdictions in Canada have to come to grips.

Criminal law, I am sure you will agree, is the responsibility of the Royal Canadian Mounted Police at the moment. So there is at least one role for the federal government.

I understand what you are saying about competence and "compétence". There is no army of federal public servants ready at a moment's notice to take on the challenge of running a securities regulator. Nor is there any intention to do so. That is why the distinction between a common regulator and a federal one is important. The idea of a common regulator is to use existing resources, whether in Quebec, in Ontario, in Alberta, in British Columbia, or anywhere else, using a different governance structure that brings them all together in one body. As we see it, that is the structure that would work best for Canada.

That is perhaps where the problem lies. Basically, it is all about the governance structure. How, in Canada, can we develop policies more quickly so we can become involved internationally with greater effect? Because it is there that, to an increasing extent, the major provisions for regulating capital markets are being negotiated.

We could talk about aspects of the governance structure for a long time. I will stop here to allow discussion and to catch my breath.

Mr. Thomas Mulcair: Mr. Dupont, let me ask you the question in a different way. Earlier, you brought up the RCMP and the clear federal jurisdiction over criminal law. You are aware of the Vincent Lacroix case because you alluded to it. Given that you know the evidence as well as I do, could you please tell me why there were no charges of any kind laid by the RCMP or the federal government? And exactly the same number of charges have been laid in sponsorship scandal as in the Vincent Lacroix case.

You come here today to lecture the provinces and to tell them that you have to bring together this and head up that, and take over the file because it is not working. We hear international this and credit crisis that, but you have provided no evidence that it will serve any purpose. Securities regulation is working very well in Quebec. We have no need for an ethics lesson from our big federal brother. We do not have a problem.

•(1615)

Mr. Serge Dupont: The minister has no wish to give ethics lessons to anyone, I feel, and I certainly do not. But I still feel that a number of people in the past have expressed the view that the regulatory structure in Canada can be improved. Even the Government of Quebec recognizes this to the extent that it is involved in a program to improve regulation through the passport system. This is another way to improve regulation. There is consensus that we need to improve our regulation, our structures, and our ability to adapt the regulation to changing times. But I acknowledge that there is no consensus on the best way to do it.

Mr. Thomas Mulcair: With all respect, Mr. Dupont, you are playing with the truth a little when you say that Quebec recognizes it. In fact, all the parties in the National Assembly unanimously passed a motion condemning this program. It is very hard to say that Quebec recognizes it.

Quebec is ready to work with the other provinces, but on its own terms. There is no question of having something imposed on us. What we have here is a unilateral attempt on the part of the Conservatives to impose something despite the unanimous vote of the National Assembly.

[English]

The Chair: Okay. Can we have a very quick answer to that? The time has gone.

[Translation]

Mr. Serge Dupont: I did not say that the government of Quebec recognized the program, but that it recognized the need to improve regulation. Clearly, at the moment, it is choosing another way to work towards this improvement.

[English]

The Chair: Thank you very much.

Mr. McCallum.

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

I'd like to share my time with Mr. McKay.

When the finance department studies tax policy proposals or other proposals, do you do a gender-based analysis?

Mr. Brian Ernewein: Yes, we do.

Hon. John McCallum: Over the last two to three years, has there been any improvement in the methodology, or intensification of the methodology, in terms of how you conduct that analysis, or is it the same as it was when we were in government?

It's not that long ago.

Mr. Brian Ernewein: I'm not sure. I think we certainly learned from experience and ended up doing a better job on some of the analysis than when we first started these. But since they have been done, I think they've been done well enough, and presumably they are getting better.

Hon. John McCallum: Thank you.

Mr. McKay.

Hon. John McKay: Mr. Mulcair is wrong.

•(1620)

Mr. Thomas Mulcair: Rarely.

Hon. John McKay: Rarely—in his own mind.

Some hon. members: Oh, oh!

Hon. John McKay: What's fair to say is that the business community is virtually unanimous from coast to coast to coast that Canada is in need of a common securities regulator. That's not even contestable. And it's true in Quebec as well as Alberta and a whole variety of... There is a need for this, and that is what the driver is here, so I'm pleased to see you asserting some leadership in this area.

The other problem is that effectively the common securities regulator becomes Ontario by default, because the overwhelmingly vast number of securities get traded in Toronto. So it seems a somewhat strange idea that those who oppose a common securities regulator are prepared to defer to Toronto and let the Ontario Securities Commission, the OSC, effectively run securities regulation in this country.

If the place where far and away the most securities are traded is prepared to be onside and is a driver behind this common securities regulator, why is it that Ontario in effect is prepared to share jurisdiction with the rest of the provinces and territories and effectively cooperate with the federal government in trying to set up a common securities regulator so that the people who issue securities don't have to go to 13 separate jurisdictions to be able to do a share issue?

Mr. Serge Dupont: It's a fair question, which would be best addressed to the Government of Ontario.

I can only presume the position is founded on a conviction that somehow, if there is a better regulatory system for Canada writ large, it would benefit Canada's capital markets and ultimately will benefit all the jurisdictions, including Ontario. That has to be the calculation. I'm sure they're not doing it as any kind of benevolent gesture toward the other jurisdictions.

Hon. John McKay: So Ontario effectively sees it as better not only for themselves but for the rest of the nation.

I was looking at your chart on the budget propaganda, and on page 15 you've got the TSX in decline on initial public offerings—that and the New York Stock Exchange. Apparently the New York Stock Exchange took a bit of a hit because of the Sarbanes-Oxley Act, and a lot of the issuances got shifted to London.

I'd be interested in your explanation for the decline of the TSX and the TSX venture exchange. Has that reversed since 2006 with the recent run-up of the TSX about to become the MTSX?

Mr. Serge Dupont: That's a good question. I don't have an update on the numbers, and I think you're quite right that a number of factors are at play in this chart, including Sarbanes-Oxley, and including the bursting of the dot-com bubble, which is in here as well.

I think what the chart was intended to show is, first, to draw out the fact that these various exchanges are in a competitive field; and second, to draw out the success of London, which has pursued a more principles-based approach to regulation, which we think has considerable merit. And it's still an issue for discussion, frankly. A lot of people prefer more rules-based.... But we thought it was useful to illustrate the success that London has had to this period, perhaps partly attributable to the approach to regulation, and even to be aware that the Australian exchanges are in the running as well and that this is all part of the competitive field.

Certainly the merger of the TSX and the MX was carried out precisely to unite forces and to provide a stronger platform to compete internationally. Hopefully you would see that this would help this chart over time.

The Chair: Thank you very much.

We'll go to Monsieur Laforest.

[*Translation*]

Mr. Jean-Yves Laforest (Saint-Maurice—Champlain, BQ): Thank you, Mr. Chair.

I just have one quick question. The \$2.8 million in the supplementary estimates are to pay for the development and implementation of a common regulatory body. How much is allocated afterwards? After the study, how much will it cost? That is a form of study. How much will it cost to create a body in which, right from the outset, you are practically assured that several players will not participate?

Mr. Serge Dupont: That is a good question. I have no figures for the honourable member. The initial program is to study a proposal. We have asked an expert panel to suggest ways in which a transition could be made. Certainly, the change cannot be made overnight; there will have to be a transition of some sort. In addition, if governments were committed to such a program, we would also have to consider the question of transition costs and the best way to move from one authority to another. I cannot provide an answer today.

•(1625)

Mr. Jean-Yves Laforest: You have no idea how much it will cost and yet you are asking for \$2.8 million to be committed at the outset without knowing how much the next steps will cost. Knowing that there is already significant resistance in the form of a unanimous rejection from the National Assembly that said, no, Quebec is not getting involved in this project, it is a little absurd to see \$2.8 million committed right away with no knowledge of what it will cost later. What will it cost? Will it cost \$10 million, \$20 million? It seems to me that it is important to know.

Mr. Serge Dupont: I understand. It is a little like in other areas. First, you do a feasibility study. When you are working on the feasibility study, you do not necessarily have an idea of the costs of stage 2 or stage 3. You are just developing a proposal. Eventually, the proposal has to be quantified and developed much more precisely. We are right at the start; to be specific, we are developing a common bill.

Mr. Jean-Yves Laforest: But you just said that a common regulator requires unanimity, willing participation. You said "willing participation". First, we know from the outset that participants have

to be willing. Second, the parties in the Quebec National Assembly have unanimously said no, they want none of it. How can you imagine that you are going to get from there to political participation by Quebec? But you still want to spend a significant amount of money for something in which the people of Quebec will not participate. That is what I call waste.

Mr. Serge Dupont: Many people will perhaps say that this money should not be committed and the federal government should simply move forward. Right now, in the Senate, Senator Grafstein's private member's bill suggests simply moving ahead and doing it. But our minister prefers to see what proposals can be made to the provinces that might secure their agreement.

Second, from our perspective, there is perhaps a greater meeting of the minds than may appear to be the case. Quebec has already come out in favour of an in-depth harmonization of legislation. It is working very closely with other jurisdictions. Minister Jérôme-Forget also said that she supported a national body that would apply the law uniformly in Canada. Furthermore, if the passport system is implemented, Quebec has agreed to delegate a lot of power to other jurisdictions. For example, it is now accepted that, when a prospectus is issued, it can be done in Manitoba, in Nova Scotia or in other provinces. The delegation is done to a common regulator, not a federal one. From our point of view, no difference of opinion automatically precludes the possibility of discussion.

Mr. Jean-Yves Laforest: That is your opinion. It is not at all shared by...

Mr. Serge Dupont: Our minister is also convinced that there is always room for discussion, for on-going discussion and for providing his counterparts with concrete proposals.

Mr. Jean-Yves Laforest: The arguments you have just made come down to the fact that, from the moment that there is agreement to work on some aspects...

Mr. Serge Dupont: Yes.

Mr. Jean-Yves Laforest: ...even if there are things that one of the parties has absolutely no interest in, the door is still left open just enough that the other party can push it open and barge in. The feds will come up with something that others do not want, but that will be okay because they left the door open for cooperation. That is what it means.

Mr. Serge Dupont: Or it may mean that, with very harmonized legislation and common legislation, there does not have to be an insurmountable gap.

Mr. Jean-Yves Laforest: Thank you, Mr. Chair,

[*English*]

The Chair: Thank you very much. We want to thank you for coming in.

We have an indication that Mr. Crête would like to deal with something with regard to this issue.

We'll allow you to introduce your motion at this time.

[*Translation*]

Mr. Paul Crête: I move that, under the heading "Finances", Vote 1a in the amount of \$6,608,199 be reduced by \$2,848,000.

The amount of \$2,848,000 is the same as the amount allocated to support the development and implementation of a common securities regulator. So my proposal, which has been drafted according to... We can debate it if necessary, but I feel that it is very clear.

• (1630)

[*English*]

The Chair: Is everybody clear on the motion?

Is there discussion on the motion?

[*Translation*]

Mr. Paul Crête: I am asking for a recorded vote, please.

[*English*]

The Chair: We will ask for a recorded vote, and we'll have the clerk proceed with that now.

(Motion negatived: nays 8; yeas 3)

[*Translation*]

Mr. Paul Crête: I would like to make one comment, Mr. Chair. It took a vote against Quebec to get the Liberals to decide not to abstain.

[*English*]

The Chair: The translation didn't come through, but maybe that was all right.

Thank you very much for coming forward for your presentation.

We'll now have a quick recess and then we'll go in camera.

[*Proceedings continue in camera*]

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