



House of Commons
CANADA

Standing Committee on Finance

FINA • NUMBER 019 • 3rd SESSION • 40th PARLIAMENT

EVIDENCE

Wednesday, May 12, 2010

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Chair

Mr. James Rajotte

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• (1530)

[English]

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

I want to thank all our witnesses for being here with us this afternoon. We are continuing our study of Bill C-9, An Act to implement certain provisions of the budget tabled in Parliament on March 4, 2010, pursuant to the order of reference of Monday, April 19, 2010.

We have two hours for this panel. We have six organizations with us here this afternoon: the Air Transport Association of Canada; the Retail Council of Canada; the Tourism Industry Association of Canada; Canada Post Corporation; the Canadian Labour Congress; and the Canadian Printing Industries Association.

Thanks to all of you for coming out today. You each have five minutes for an opening statement. We will proceed in the order listed in terms of organizations, and then we will go to questions from members. We will start with Mr. McKenna.

Are you presenting on behalf of your organization?

Mr. John McKenna (President and Chief Executive Officer, Air Transport Association of Canada): Yes, I am, sir.

The Chair: You have five minutes for an opening statement.

Mr. John McKenna: Good afternoon, ladies and gentlemen.

My name is John McKenna. I'm president and CEO of the Air Transport Association of Canada. I'm accompanied today by Mike Skrobica, vice-president, industry monetary affairs.

ATAC has represented Canada's commercial air transport industry for over 75 years. We have over 185 members engaged in commercial aviation in Canada, operating in every region, and providing service to a large majority of the more than 700 airports in the country.

We greatly appreciate the opportunity to speak to you today on an important aspect of aviation security, that being its financing through the Air Travellers Security Charge, the ATSC. We have many questions on this issue of security.

Why are Canada's security charges so high compared to those of other countries?

Where is the accountability between the ATSC revenues and CATSA funding?

Why do revenues collected through the ATSC far exceed the amount being spent on security?

What is the justification for a 50% increase in the ATSC? Is the minister simply going to increase CATSA's budget and the ATSC every time a new security loophole is discovered?

Where is the public review of CATSA and its finances that was announced by the Minister of Transport in February?

Canada's security charge was very high even before the latest increase. In 2008, ATAC conducted a survey to rank the 175 security fees charged by governments and airports worldwide. At that time, Canada's security charge was the second highest in the world, second only to the Netherlands.

After the increase announced in February, the Canadian security charge will be the highest in the world, we believe, with the international fee having increased 52%, from \$17 to \$25.91. In the U.S., the international security charge is \$5.

So we ask, why are Canada's security charges so high compared to those of other countries? We do not applaud the government for striving to be number one by increasing a tax that was already yielding a surplus.

We are very concerned by the lack of accountability between the ATSC revenue and CATSA funding. How much money is collected through the ATSC? What percentage of it actually goes to CATSA? Does any of it end up in the general account?

The last report by the Auditor General on the ATSC dates back to 2005-06. Without audited information, we can only speculate as to the revenues generated versus the parliamentary appropriation to CATSA, which we have done. We looked at numbers supplied by CATSA and by Statistics Canada.

Our estimates are based on the 48 million passengers screened by CATSA in 89 Canadian airports during fiscal year 2008-09. The numbers put forth by CATSA concur with Statistics Canada reports of 108 million passengers emplaned or deplaned during calendar year 2008, with some 54 million departing passengers, CATSA's clientele. Statistics Canada indicates that 62.9% of these passengers were on domestic flights, 19.5% on transborder flights, and 17.6% on international flights.

Based on these numbers, it becomes a simple exercise to estimate the revenues generated by the ATSC. The spreadsheet that we handed out suggests that revenues generated by the ATSC will exceed the CATSA appropriation, even before the increase. Based on these calculations, more than \$70 million was retained as general revenue by the Government of Canada, and not used to fund CATSA.

Once the increases in the ATSC have been factored in, and considering the budget allocation for CATSA of \$1.5 billion over the next five years, the revenues generated by the ATSC will produce an annual surplus of over \$330 million.

The ATSC should be used to fund CATSA and CATSA only. It is not an additional source of general revenue for the government, for which it does not have to account. CATSA's budget is entirely financed by the ATSC, whereas in the U.S., air travellers finance only 30% of the Transportation Security Administration's budget.

We fail to understand why a 50% increase in the ATSC is necessary.

Is the appropriation system appropriate for a crown corporation that does not have a stable funding requirement? How can the government establish a five-year appropriation for CATSA when it is so obviously prone to precipitate responses to incidents that lead to additional security measures?

We don't need more layers of security. What we need is more effective and better security.

Is the minister going to simply increase CATSA's budget and the ATSC every time a new security loophole is discovered?

How much security is enough security? How much security can we afford?

Increasing the ATSC is not the answer.

CATSA simply implements additional measures without doing any threat assessment whatsoever. That is done either by the RCMP or by CSIS. How much of the ATSC-generated revenues go to Transport Canada? How much go to the RCMP and to CSIS?

Has the government determined where there's a real security threat to Canada? Are we prepared for it? Is our equipment efficient, sufficient, or outdated?

Are security measures going to continue to accumulate or are the authorities going to dedicate themselves to developing and implementing a more efficient single-step screening process aimed at improving security and reducing the number of screening agents and the time and personnel required to process passengers? Industry sees the current airport security lines as inefficient and a real opportunity for terrorism.

● (1535)

Finally, is Canada able to come up with a way to measure security that reflects our own needs in light of the security threat in Canada?

Our other concern is CATSA's performance.

Has the government determined that CATSA's performance is comparable from an economic point of view to that of other

screening agencies worldwide? If so, how did they arrive at this conclusion? Where is the evidence to support this and what parameters were used?

Where's the public review of CATSA and its finances, as announced by the Minister of Transport in February? The customers of our members are footing the security bill and they're entitled to receive this information.

Finally, why did the Minister of Transport announce a tax measure one week in advance of the budget? Does the government really think that the aviation community and travelling public are so gullible that they would not see the obvious ploy to protect the budget's claim of no tax increases?

In closing, let me reiterate that the commercial air transport industry believes in good and efficient security, but not in security at all costs.

Thank you.

The Chair: Thank you for your presentation.

We'll now go to the Retail Council of Canada.

Ms. Diane Brisebois (President and Chief Executive Officer, Retail Council of Canada): Thank you, Mr. Chair. It's a privilege to appear before this committee today.

My name is Diane Brisebois. I'm president and CEO of the Retail Council of Canada.

[*Translation*]

A voice: You have the right to speak in French.

Ms. Diane Brisebois: Yes, I'm going to speak in French and English. Thank you.

I am the president and CEO of the Retail Council of Canada.

[*English*]

I also serve as co-chair of the Payments Accountability Council, which represents over 250,000 merchants across the country.

I'm joined today by my colleague, Terrance Oakey.

[*Translation*]

He is our vice-president of federal government relations.

[*English*]

Last year, RCC appeared before this committee, calling for some of the very measures that are now included in Bill C-9, the budget implementation act.

I want to begin my remarks by thanking this committee for the leadership you continue to show on this issue. Merchants across Canada are following this issue closely. They commend the minister and the Government of Canada for establishing a card payment regulatory framework, and for equipping the Financial Consumer Agency of Canada with the tools it needs to monitor and enforce compliance with the code of conduct changes, changes that are both contained in Bill C-9.

As you may recall, the Retail Council was criticized in some quarters for calling for a regulatory framework, while other witnesses argued that a voluntary code alone would address this issue of skyrocketing fees.

Mr. Terrance Oakey (Vice-President, Federal Government Relations, Retail Council of Canada): As retailers, we live every day in an atmosphere of intense competition, and our natural affinity is for less regulation, rather than more.

So why did we call for regulatory authority and for an oversight body on behalf of our merchant community? In short, because the card payment system has not been functioning properly, with the credit card duopoly dictating prices at will to merchants, and with a very clear risk that the same path would be taken with debit cards.

True competition brings lower prices, not higher ones. It is that kind of market that is in the interests of merchants and consumers alike. The government has recognized this in its commitment to regulate the conduct of credit card companies, banks, and processors if they do not adhere to the voluntary code.

Ms. Diane Brisebois: Will we be out of the woods with the passage of Bill C-9? If only it were that straightforward....

I stood at Minister Flaherty's side when he announced the code of conduct, because our members believe the code will go a long way towards providing greater cost certainty. I did so in the full expectation that the code is but the first step and that ultimately regulation will be required.

Retailers have long experience with card company practices, both here and abroad. Already we're seeing some disquieting signs. Some players have been signalling that they intend to delay their acceptance of the code, while others have been pushing merchants to lock in the new contracts before the code takes effect.

More troubling still is that while the government has taken steps to level the playing field and create downward pressure on fees in the debit world, fees in the credit world continue to rise for our members.

One example is the emergence of a new so-called super premium card, which carries fees as high as 3%. With low single-digit profit margins, a 3% fee can take a devastating bite out of merchants' profitability. What we are seeing is a concerted drive by some players to undermine the intent of the code by switching the emphasis over to credit and away from debit.

This was brought home to me recently at the atrium at Toronto's Eaton Centre, in exactly the spot where the Minister of Finance made his announcement less than four weeks ago. Two weeks later, the atrium was taken over by half a dozen peppy salespeople for one of the major banks, along with a dozen instant sign-up screens, all pushing the use of their 2% cashback card.

As you will see from the page we will be circulating later, the pitch is to get people to put daily purchases on their credit cards, items bought at drug stores, grocery stores, and gas stations, all things that people would typically pay for with debit or cash. What is clear is that if the code's new rules on debit cards won't give issuers and card networks the high fees they were hoping for, these actors

will steer consumers to use credit cards instead, and they will introduce even more expensive credit products.

From the merchant perspective, the voluntary code will be successful if—and only if—all the players in the card payment system accept the code's underlying principles and do not attempt to sidestep them by other means. We are encouraged by the minister's clear statement that non-compliance will be met with regulation. It would suggest that one very important measure of compliance must be that those who had hoped to drive up fees on debit transactions do not compensate by extracting ever higher amounts from credit transactions.

● (1540)

Mr. Terrance Oakey: We at the Retail Council of Canada also welcome the opportunity to participate in the independent task force to engage in a comprehensive review of the payment system, which the minister announced in budget 2010.

Thank you, Mr. Chair, for the opportunity to address this committee. We're happy to answer any questions you may have.

The Chair: Thank you for your presentation.

We'll now go to the Tourism Industry Association of Canada.

Mr. David Goldstein (President and Chief Executive Officer, Tourism Industry Association of Canada): Thank you, Mr. Chair, members of the committee, and committee staff.

Again, for the record, I'm David Goldstein, president and CEO of the Tourism Industry Association of Canada. I'm joined this afternoon by Chris Jones, our vice-president of public affairs.

TIAC was formed over 70 years ago and stands today as the only national organization that represents the entire cross-section of the tourism and travel industry, which includes tour operators, accommodations, convention facilities, airport authorities, airlines, and passenger rail.

It is indeed a pleasure for me to be here with you today to examine the provisions of Bill C-9 that relate to the tourism sector, as this is my first standing committee appearance in my new role.

In our brief time today, we want to situate the proposed increase in the air travellers security charge as being incongruent with the federal tourism strategy announced by the Prime Minister on June 4, 2009.

Time does not permit us today to go through the fulsome framework outlined by the Prime Minister. However, this holistic approach was well received by our industry, and we hope that the continued work and consultations done by Minister Moore and his officials will provide important benchmarks over the following months.

Of the four pillars outlined by the Prime Minister, the one key to today's discussion is this: "Facilitating ease of access and movement for travellers, while ensuring the safety and integrity of Canada's borders". This objective, as read in the context of increasing security fees, correctly implies that Canada's government will do two things: ensure the security of our aviation system, and facilitate ease of access for travellers.

Ensuring security and safety for travel and the general public goes without question. But we respectfully submit that the method chosen to finance our prospective security initiatives is inconsistent with other like jurisdictions. And it is contributing to the erosion of our competitiveness as a nation in the area of tourism, one of the fastest-growing sectors in the global economy.

The vitality of our sector and the ability to compete for a share of international business and leisure arrivals have already been significantly impacted by the plethora of taxes, fees, rents, and user charges the federal government levies on our sector. Last year, the federal government extracted \$386 million in ATSC charges alone from travellers using our airports. With increases to our aviation security resulting from the planned introduction of body scanners and other screening technologies, this burden is set to increase.

By way of direct example, the impact of these proposals would increase the fees for a family of four from outside Canada by over \$100. In an era of choice, we worry that they will choose to go elsewhere. In an environment of heightened price sensitivity and increased competition, Canada should not be increasing structural barriers. Inbound visitation to many of our key target markets is falling or flat, and our aviation sector is struggling with reduced load factors, lower yields, volatile fuel prices, and higher debt-servicing charges.

In our view, security is akin to policing. We don't levy policing costs solely on an individual shop owner, and in the same way, we shouldn't tax individual travellers. Aviation security is a public good that benefits all Canadians, and its costs should be borne by the national treasury.

Take the United States as a comparison, where a full 63% of the operating costs of the Transportation Security Administration are covered by a direct appropriation from the federal government. In Canada, the passenger fee-based system we rely on exclusively has become a deterrent to travel and visitation in this country. It prevents our sector from growing and making its full potential contribution to the Canadian economy.

In our view, the proposed security fee methodology will work at cross-purposes with the federal tourism strategy, which is built on a solid foundation and specifically stresses the need to look at issues in a holistic way.

Like many of my colleagues who have appeared before you, we believe that aviation security and safety are a critical public good, but which, if we are not careful, could choke off the supply of domestic and foreign travellers that are the lifeblood of the Canadian tourism sector. This is a sector that represents \$71 billion to the Canadian economy, over 1.6 million direct and indirect jobs, and tens of thousands of small and medium-sized businesses from coast to coast to coast.

We need, in our view, a new security model that reflects shared collective benefits, that is sustainable in the long term, and that is better aligned with the approach of the TSA.

We thank you for this opportunity to appear. We look forward to your questions.

• (1545)

The Chair: Thank you very much.

We'll now go to the Canada Post Corporation.

Ms. Susan Margles (Vice-President, Government Relations and Policy, Canada Post Corporation): Thank you.

Good afternoon. Thank you for the opportunity to address this committee today.

My name is Susan Margles and I am vice-president of government relations and policy at Canada Post. It is my job and the job of my team to ensure that parliamentarians are fully informed about Canada Post and that we maintain a productive relationship.

As the postal administration for this country, Canada Post has a statutory mandate to provide universal postal service to all Canadians, regardless of where they live, and to do so while remaining financially self-sufficient.

[*Translation*]

Despite considerable challenges, our corporation generated \$7.3 billion of revenue in 2009 and has remained profitable for 15 consecutive years. In the past 10 years, Canada Post has paid the Government of Canada almost \$400 million in income taxes and another \$350 million in dividends.

Last September, the Government of Canada introduced the Canadian Postal Service Charter, which outlines the services Canadians can expect to receive from Canada Post. Canada Post continues to meet our published service standards and provide Canadians with postal service that is reliable and secure.

[*English*]

Traditionally, postal administrations have covered the cost of their service obligations through revenues generated from the reserved service area for letters, as well as revenues derived from competitive services such as parcels and direct marketing.

Section 14 of the Canada Post Corporation Act gives us the sole and exclusive privilege of collecting, transmitting, and delivering letters. Part 15 of Bill C-9 amends this section of the Canada Post Corporation Act and permits others to collect letters in Canada and then send them for delivery outside of this country.

International remailers are countries usually associated with foreign postal administrations. They take large volumes of mail produced and collected from Canadian businesses and ship it abroad to be inducted into foreign postal systems.

Remailers have been increasing their presence in Canada over the last 20 years. In the past, Canada Post has taken the position that international remailers contravene the exclusive privilege given to Canada Post. We have taken legal action against some international remailers and succeeded in court. Injunctions were awarded against two international remailers that would have prevented them from operating in this country.

In 2007 the government introduced legislation that would permit letter exporters or remailers to legally collect letters in Canada and send them for delivery outside of this country. Following the introduction of this legislation, the injunctions we had were stayed until the intentions of Parliament were known. The current injunctions expire in December 2010.

Canada Post's position in terms of part 15 is that, as our shareholder, it is up to the Government of Canada to determine what areas of the postal market to keep reserved for Canada Post or to open up to competition. As our president and CEO, Moya Greene, said recently at the Senate finance committee, if the letter market is open to competitors, Canada Post:

...will vigorously compete for that business. Just because a market is competitive does not mean that Canada Post is out of the game.

In order to remain competitive and deliver on our service commitment, Canada Post is modernizing its infrastructure equipment and technology.

• (1550)

[Translation]

As part of our Postal Transformation Strategy, we will invest more than \$2 billion to purchase new equipment and upgrade systems and facilities across the country. Next month, we will open a new state-of-the-art mail processing plant in Winnipeg. This is our first new mail plant in Canada in more than 20 years. We are changing the way we deliver in order to ensure that we can continue to deliver in the future.

[English]

These investments and others will ensure that Canada Post is able to maintain its service commitments, compete successfully in the marketplace, and remain financially self-sufficient.

Thank you. I'd be pleased to answer any questions.

The Chair: Thank you very much for your presentation.

Now we'll hear from the Canadian Labour Congress, please.

Mr. Hassan Yussuff (Secretary-Treasurer, Canadian Labour Congress): Thank you, Mr. Chair.

On behalf of the Canadian Labour Congress and its 3.2 million members, we want to thank you for giving us the opportunity to appear before the committee on the important public interest issues that are raised in part 15 of Bill C-9.

The CLC represents workers in every province and territory, and in communities big and small. Included in that numbers are the people who work for Canada Post, the members of the Canadian Union of Postal Workers, the Canadian Postmasters and Assistants Association, and the Public Service Alliance's Union of Postal Communications Employees.

We want to state from the outset that we are unequivocally opposed to any legislation that will weaken Canada Post's ability to provide universal, affordable services to Canadians, wherever they live. We believe that maintaining and improving public postal services is what provides the most benefit to the population and to all sectors overall.

Part 15 of Bill C-9 represents an attempt to partially deregulate Canada Post. If it becomes law, it will send a significant signal to the corporate sector that the door has been opened to further postal deregulation, especially given the current government's stand favouring deregulation and privatization of public services.

When Canada Post was granted exclusive privilege to deliver international and domestic mail in 1981, it was because our legislators understood that market forces alone cannot guarantee a reasonable level of service at affordable prices to all Canadians, regardless of where they live or what their economic status is.

The exclusive privilege is a reflection of the principles of equality and common commitment that our society values highly. We believe that all Canadians, no matter where they live in this vast land mass of ours, must be guaranteed access to public services. These principles are why we built an extensive transportation system and created universal public services such as health care, education, and, of course, postal services.

The exclusive privilege is the means by which the post office is able to fund its universal service obligation to serve and link Canadians from coast to coast, to coast. If passed, part 15 of Bill C-9 will have a detrimental impact on Canada's postal services. Canada Post already forgoes revenue to illegally operating international remailers. If the exclusive privilege is eroded, it is very likely that the remailing business will grow and Canada Post will lose more of its international letter business.

Without the revenues that flow from having the exclusive privilege, Canada Post's ability to carry out its universal service obligations will be weakened. Changes will not happen overnight, which is why those in favour of the bill will accuse those of us who oppose it of being alarmist. But the fact is, the causes and conditions will be set in motion for revenue losses leading to service cuts, particularly for those living in rural or isolated communities, and there will be higher postal rates, as well as eventual further deregulation of the post office.

The government and the international remailers say that the bill will change nothing because private companies have been breaking the law and handling international mail for many years. They say the loss in revenue to Canada Post has been in the vicinity of \$70 million annually and, compared to Canada Post's overall revenues, this represents a pittance.

These arguments are not very persuasive. To say the least, it is strange for a government to change a law that will have a negative impact on Canadians just because those who are breaking it don't like it and are eager to siphon off even more profits. Don't we count on our governments to enforce our laws?

It is even stranger that the government is attempting to push the legislation through without a thorough review. What's the rush when there's so much at stake?

We do not believe that Canadians want to see the destruction of their postal service. They want a sustainable public post office and reliable, affordable mail delivery. There is no reason to jeopardize a good service that provides good value to Canadians, just because of a desire to satisfy the powerful lobbyists.

We are urging the government to immediately withdraw or sever part 15 of Bill C-9 and reaffirm its support for the exclusive privilege and public ownership of Canada Post.

In closing, I point out that the post office has played an important role in our nation by uniting our vast but sparsely populated territories and regions. From Confederation until recently, the postal service linked together virtually every community in the country. Canada Post's role as an instrument of national unity should not be overlooked or undervalued, especially now, in a globalized world.

The postal service makes important and positive contributions in the enhancement of the cultural, social, and economic life of Canadians. The postal service serves as a lifeline for the charities, service clubs, and non-governmental organizations that add so much to the quality of life of Canadians. Furthermore, the postal service helps to transport the multitude of specialized publications, such as magazines, to help preserve the many cultural identities that comprise our nation.

•(1555)

The postal service also plays a significant economic role.

In a country in which small businesses compete against large multinationals and small communities compete against large urban areas, the postal service acts to equalize communications costs and reduce the disadvantages faced by those working in smaller businesses and in smaller communities.

Also, as an employer, the postal service offers many job opportunities, many of which are in rural areas and are occupied by women. Canada Post is often one of the few potential employers for women in rural communities.

Our public postal service provides universal and affordable services to all Canadians, no matter where they live. As the second largest land mass in the world with one of the smallest population densities, access to a universal and affordable postal service is an important piece of public policy required to maintain a healthy social and economic network within Canada.

It is our role as Canadians to preserve this capacity and to prevent the erosion of service provided to all Canadians, no matter where they live, where they work or do business, or where they communicate and exchange services and goods between themselves.

I want to thank the committee for this opportunity. I look forward to any questions you may have.

The Chair: Thank you very much for your presentation.

Our final presenter is the Canadian Printing Industries Association.

Mr. Bob Elliott (President, Canadian Printing Industries Association): Thank you, Mr. Chairman.

Good afternoon. Thank you for inviting us here today.

My name is Bob Elliott. I'm the president of the Canadian Printing Industries Association. I'm here today with Mr. Barry Sikora, general manager of Classic Impressions Inc., a small businessman and member of our British Columbia association who has been involved in the international mail industry for over 30 years.

We've heard the testimony here yesterday and today and wish to respond in part here with our comments.

Mr. Chairman and members of the finance committee, our comments are specific to part 15 of Bill C-9 as well and deal with the one-sentence amendment to the Canada Post Corporation Act that will enable a competitive and long-standing industry made up predominantly of small and medium-sized Canadian businesses, to continue doing what they have been doing for more than 25 years.

This is not about some new industry attempting to just enter the Canadian market. This is not about diminishing Canada Post's domestic exclusive privilege, or its ability to provide universal postal service. This small one-sentence amendment does absolutely nothing more than maintain the status quo of the past 20-plus years.

The Canadian Printing Industries Association represents over 7,200 printing establishments that employ some 65,500 Canadians. Not all printing establishments in Canada participate within the international mail industry in Canada, but a significant number of printing companies are involved in this industry.

The need for this amendment has significant implications for Canadian printers and allied industries that produce a wide variety of products such as advertising material and envelopes and more for Canadian and international customers, and then bulk-ship this material, predominantly to the U.S., or to some other foreign destination.

Canadian printers and remail companies have already seen a significant decrease in business given this industry's uncertainty over the past few years. Without this amendment, these companies stand to lose even more business as their customers will simply take their business to another country. The economic contribution to Canada will be lost. Canada Post will not reap the benefit of that. No one is going to win: not Canada Post, not our small businesses, and not the Canadian economy.

In short, Mr. Chairman, the Canadian printing industry is in full support of part 15 of Bill C-9.

I thank you. I'd like to turn it over to Mr. Sikora.

•(1600)

Mr. Barry Sikora (General Manager, Classic Impressions Inc., Canadian Printing Industries Association): Well, it's my first time in Ottawa...no, actually, it's my fourth time here in Ottawa, just about this bill. I had to put on my Sunday-best suit to come and see how you guys are spending our Canadian tax dollars. I'll tell all of them in British Columbia that you're doing fine, because I'm going to give you the truth.

Mr. Chairman and committee members, my company, Classic Impressions, is a small, independent, Canadian-owned and -operated printing and packing company operating in British Columbia. A significant part of our business is the printing of envelopes and letters for letter shops that then prepare these materials for delivery outside Canada.

Before problems began with Canada Post approximately five years ago, my company employed 31 people. We're not a huge corporation; we're an average business in the printing industry. Now, because of this situation, we're down to 17 employees.

Many of our customers have left us, and they have not gone to Canada Post for their foreign mail delivery needs; they have taken their business to another country. They have forced our industry to lay off long-time employees, and that's not a pleasant thing to do.

Along with the lost revenue has come lost economic activity for Canada. The international mail industry in Canada consists of hundreds of small to medium-sized letter shops, mail houses, printers, direct marketers, graphic designers, envelope manufacturers, transport companies, and international mailers that employ thousands of hard-working Canadians and contribute significantly to the Canadian economy.

Contrary to what you heard yesterday from CUPW, this is not just about five or six companies or a few hundred employees. We've been competing openly with Canada Post for more than 25 years. Even Canada Post acknowledged and accepted this industry more than 20 years ago, by stating specifically in 1988: "Outbound mail is not protected by exclusive privilege, which leaves this lucrative business open to a new threat—aggressive competition from international remail companies." I believe the committee members have been provided with copies of the Canada Post publication. This simply cannot be ignored.

Mr. Chairman, the legitimacy of this industry was also confirmed by the independent CPC strategic review advisory panel's report, which was presented to the government and made public in April 2009. Following extensive public consultation and review, the advisory panel recommended neither a general deregulation of the postal market nor a reduction of the existing level of Canada Post's exclusive privilege.

Yet it still recommended the maintaining of the private international mail market in Canada as the lone exception. Outbound international mail was the only market specifically identified in this manner. Recommendation 10 of the panel's report stated: "The Advisory Panel recommends that outbound international mail be open to competition, as has been the practice (if not the law)... in Canada.

The Chair: You have one minute left.

Mr. Barry Sikora: It is important for the committee to understand that during the past 25 years while this industry has operated in Canada, Canada Post has continuously and successfully provided universal postal service. There was no crisis. Our industry has not stopped this important mandate from happening.

Moreover, Canada Post experienced significant profits for 12 consecutive years in the early 1990s and throughout most of the 2000s. While the industry was operating in Canada, and until this matter with Canada Post became public in 2006, this industry did not receive one communication or complaint from CUPE relating to our operations.

Mr. Chairman, how could it have been the intent of Parliament, when it established the Canada Post Corporation Act, to allow small businesses like mine to start up in Canada, employ thousands of Canadians, and invest in the economy with the full knowledge and acceptance of Canada Post, only to have Canada Post come along and tell me, "Thanks, Barry, for building up your business, but you no longer are in business", hoping to drive all the business to them, which has not happened and will not happen....

This is why the government introduced Bill C-14 in 2007 and then, again, Bill C-44 in June 2009. And now it's part of Bill C-9.

Mr. Chairman, this is really about common sense and fairness. This has nothing to do with the diminishing of an exclusive privilege or the ability to provide universal postal or rural mail services in Canada. It hasn't been about any of these issues in the past two decades while we have been operating, so why, all of a sudden, is this one sentence going to completely disrupt and dismantle our entire postal industry and postal authority?

The reality is that it will not. We welcome the opportunity to continue to compete and operate against the much larger Canada Post. I welcome your questions.

The Chair: Thank you very much for your opening statement. We'll go to members' questions.

Mr. McCallum, please.

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

Thank you to all of our witnesses for being with us this afternoon.

I think I will start with Canada Post.

Ms. Margles, what is the approximate total revenue of Canada Post?

• (1605)

Ms. Susan Margles: It was \$7.3 billion in 2009.

Hon. John McCallum: And so this is \$70 million we're talking about—1%?

Ms. Susan Margles: Our estimates are between \$40 and \$80 million, so it is around that number, yes.

Hon. John McCallum: Okay. Let's call it 1%, just to round the number.

I'm not quite sure why that 1% is so important, except perhaps that if once you introduce legal certainty into the picture, it could grow substantially. Is it your view that this has the potential to grow substantially and thereby cut into the revenues of Canada Post much more significantly?

Ms. Susan Margles: No, actually, Mr. McCallum. The way we estimated the \$40 to \$80 million I just referred to was to look at what we thought would be open to a threat from these competitors if the bill as it's presented today were to pass. That's our total estimate of what we believe...and we don't have a lot of information about the other businesses in this market because it is a competitive market, so you can understand that people keep these things fairly close.

In that \$40 million to \$80 million, the \$80 million is what we estimate would be the top end of what would be at risk if this bill were to pass.

Hon. John McCallum: So you're making certain assumptions about what the impact of this and the legal uncertainty will be in terms of encouraging people to enter the industry. Based on whatever assumptions you make, that's how you come up with that number. So the upper end is not much more than 1% of your revenues.

Ms. Susan Margles: No, it's not.

Hon. John McCallum: Okay.

Well, Mr. Yussuff, if that is the case, maybe it's not such a big deal. Or perhaps you dispute the estimate?

Mr. Hassan Yussuff: I think the answer you are given is that this is what the potential is. I guess the bigger question would be how much business has already been lost.

More importantly, Canada Post has a mandate to provide service to Canadians from coast to coast. As the revenue share diminishes—whether it's 1% or more, I don't know, but at the end of the day we'll give you some numbers we believe to be approximate—the reality is that it's going to have an impact on the corporation and its ability to deliver its universal service. Its universal service is based on the what its revenue base is and how it's able to provide that service.

Hon. John McCallum: Let me go back to Ms. Margles just to make sure I understand this.

The \$40 million to \$80 million is the additional revenues that you might lose as a consequence of this bill.

Ms. Susan Margles: Yes, that's our estimate.

Let me just give a bit of precision around that, Mr. McCallum. What I tried to say in my opening remarks is that we acknowledge

that it is a small amount and that we do not believe it will affect our ability to deliver on our universal service obligations.

We have many challenges right now in the postal market. We see letter mail declining and we see huge competitiveness in the other parts of our market. We're working every day to address those challenges.

So yes, it's probably not optimal for part of our reserved service area to go away, but we believe very strongly that we're up to that challenge, that not only can we compete for this part of the market, but we can continue to compete in other parts of the postal market, and, as I say, continue to meet our mandate of delivering universal service to Canadians and be financially self-sufficient.

Hon. John McCallum: Thank you very much.

Now let's go to the subject of the air travellers security charge.

Mr. McKenna, those were very strong words and numbers at the back of your testimony. This is one illustration of why it's unfortunate that we have this omnibus bill and so little time. It would be better if you were at the transport committee, where the expertise resides, but there's nothing we can do about that today.

On my first question, those numbers you presented are quite dramatic: that the air travellers security charge revenue is \$762 million, the House appropriation to CATSA is \$428 million, and there's a surplus of \$333 million. You say that most countries don't even charge the full amount to the customer, but here we have a huge surplus.

Have you spoken to the government or the Department of Transport about this? Would they accept those figures? Can we rely on those figures in regard to a surplus of \$333 million or do they contain certain assumptions that others would dispute?

Mr. John McKenna: Well, sir, that is part of the problem. We haven't had an Auditor General's report on this subject since 2004-05, so we can only go...and we can't have access to those numbers. We have asked for them many times, from various sources, and we can't have access to them. We can only speculate.

Our speculation, however, is based on real data: data provided by CATSA and by Statistics Canada.

So of course we could be off by a few million dollars; it's possible. But the principle is that this duty, this charge, is way beyond what it should be. That's our main objection.

• (1610)

Hon. John McCallum: What about the argument that some of the additional revenues will be used to acquire new and expensive machinery such as those new scanners and things of that nature?

The Chair: You have one minute, Mr. McCallum.

Hon. John McCallum: That doesn't seem to factor into your calculations.

Mr. John McKenna: It doesn't quite add up, sir. Of course, they bought 44 scanners and they need more personnel to operate them, but scanners cost \$250,000 apiece. I don't think that quite mounts up to \$300 million.

Hon. John McCallum: I think my time is just about up. I'm not really arguing with you. I'm saying that on the surface your numbers are dramatic, and I think you have a very strong case.

I just think it's regrettable that this bill was set up in such a way that we don't have the time or the expertise to subject this to the attention that it really deserves.

Thank you very much.

The Chair: Thank you, Mr. McCallum.

Monsieur Paillé, s'il vous plaît.

[Translation]

Mr. Daniel Paillé (Hochelaga, BQ): I have a lot of questions on the code of conduct concerning credit cards and debit cards. I have met with people in my constituency on this matter to talk about Visa's monopoly and that of MasterCard. However, without wanting to offend you, madam, you cited a document that we don't have since it is in English only and your presentation was in English only. Consequently, out of respect for my language, I won't ask you any questions.

The same will be true for the Tourism Industry Association of Canada.

However, I'm interested in asking questions about air transport taxes. Furthermore, Mr. McKenna delivered a text in excellent French and we're going to see from his answers that his mastery of French is equally excellent.

Mr. McKenna, on the first page of your document, you ask what the justification is for a 50% increase in charges and, based on the answers you gave Mr. McCallum, you seem to associate the revenue the charges provide to the federal government with the expenditures of the Air Transport Association of Canada.

Without intending any puns, how do you exclusively associate that revenue with those expenditures?

Mr. John McKenna: Thank you for asking that question, sir.

When these charges were introduced, we were assured that all the funds collected would be intended exclusively for airport security and that's why we asked those questions.

Mr. Daniel Paillé: When was that done?

Mr. John McKenna: It was in December 2001.

Mr. Daniel Paillé: In other words, the Liberals assured you, to all intents and purposes, that expenses would equal revenue.

Mr. John McKenna: I would say the government made that promise to us.

Mr. Daniel Paillé: All right. I appreciate that clarification, particularly coming from you.

However, you aren't unaware that the income from all the charges goes into a consolidated fund and that the government uses air transport for a very specific purpose.

Moreover, I believe you emphasize it very well when you say you have no reason to congratulate the government—I would add “Conservative”—because, ultimately, they're the government—and this is what you're really saying—seems to use air transport so it can say it is reinforcing aviation security.

You're showing us that we have enough money to meet that need. Ultimately, you feel you have been taken hostage by the Conservative government, based on the demonstration you've just made to us.

Mr. John McKenna: Absolutely, sir.

Air transport finds itself in this situation with regard to all its financing. Financing for improved infrastructure is also borne by users. All financing for air transport comes from users. Nothing comes from the government.

For us, this is a net loss, in that the money we collect goes into the government's coffers and we receive nothing in return.

• (1615)

Mr. Daniel Paillé: In theory, one could say that if no passengers left airports, no charges would be collected, and even if there were only departing passengers, we would nevertheless need security.

Mr. John McKenna: We don't at all dispute the need for security. We're asking why the government collects more money than it needs for aviation security.

Mr. Daniel Paillé: All right, very well. But you'll also understand that, with this bill, the government has served up a mishmash and we find ourselves with a real stew of numerous subjects that must be discussed. So I have to immediately move on to the case of Canada Post.

You're in an odd situation, madam. You tell us in four minutes how much you oppose the government's intention and, in the last minute of your presentation, you respond on all fronts.

Ms. Susan Margles: Oh, oh!

Mr. Daniel Paillé: Your laugh is significant.

If I understand correctly, given the revenue you will lose as a result of a decision by your shareholder, to retain the profitable universal service—which is the corporation's objective—you'll necessarily be obliged to increase residential and other rates.

Ms. Susan Margles: No, I wouldn't say that. We're going to do a lot of things. We are already halfway through the postal transformation process. We're changing the way we process and deliver mail. We want to have the capacity to modify our cost framework to make it more flexible when there are changes on the revenue side.

Mr. Daniel Paillé: But that's called productivity gains. You would have made them even if you hadn't lost the \$80 million. As a manager, you would have increased productivity.

Ms. Susan Margles: Definitely.

Mr. Daniel Paillé: So I'll come back to my question.

The Chair: You have one minute left, Mr. Paillé.

Mr. Daniel Paillé: Let's say a minute and a half.

You're going to lose a sum of money and, if you want to keep your books balanced, you'll have to increase rates in order to maintain the same revenue.

Ms. Susan Margles: No, because we can go after other revenue in other market sectors. Perhaps we can increase the number of our clients in the parcel or direct marketing sectors.

Mr. Daniel Paillé: If you asked the same question from a union perspective, do you think the corporation would be obliged to increase its rates because it would lose some of its revenue to the private sector?

[English]

Mr. Hassan Yussuff: Well, we believe that if you do lose revenue, you're going to have only two choices: you can cut services or reduce services or reduce the size of the workforce. I don't think Ms. Margles can say with certainty that this will not have an impact, both on the services and on the number of people working at Canada Post.

The reality is that they don't know. We are predicting that obviously there is going to be a consequence of this and that consequence will grow as the market...and as Canada Post, having to compete, loses business.

The Chair: *Merci.*

Mr. Hiebert.

Mr. Russ Hiebert (South Surrey—White Rock—Cloverdale, CPC): Thank you, Mr. Chair.

Just to continue the conversation about the remailers, my first question will be to Mr. Elliott.

How many small businesses operate as remailers? I know you said there were lots, but I didn't hear the number.

Mr. Bob Elliott: We don't have a number on that. Of the 7,200 printers in Canada, there is a growing portion getting into the remailing business. A number of mail houses that exist in the business aren't covered by our association. A number of international remailers are also part of this business but aren't covered by our association. I don't even know for sure how many people are in that business.

As I say, it's growing all the time, because businessmen are constantly looking for new niches to get into. They see that the mail business—not only international mail, but the mail business and

offering services to their clients—can be profitable and is good for them.

• (1620)

Mr. Russ Hiebert: If you had to take a guess at it, if there are 7,200 printers, would 25% of the printers be in the business? Would it be 50%? Just give rough numbers.

Mr. Bob Elliott: Barry, do you have a suggestion?

Mr. Barry Sikora: I can talk about British Columbia, okay?

Mr. Russ Hiebert: Sure.

Mr. Barry Sikora: In B.C., in the Lower Mainland, we have 10 top printers that do about 75% or 80% of the business. Out of those top 10 printers, every one is involved in the U.S. market in doing printing and sending stuff through the mail to the United States.

So is it significant? Yes. Damn right it's significant. It's probably, I would say, 25%, okay? And if you look at the Canadian border, you'll see that all of our major cities are near the border. We do a lot of business...90% to 95% of our international mail goes to the United States. The numbers are huge.

Mr. Russ Hiebert: Okay.

Let's just look at those 10 top printers in the Lower Mainland, where I'm from as well. How many people would they employ?

Mr. Barry Sikora: How many people would they employ...?

Mr. Bob Elliott: You'd probably be talking as much as 5,000.

Mr. Russ Hiebert: Five thousand?

Mr. Bob Elliott: Printers. That's just printers again.

Mr. Russ Hiebert: Yes. The top 10 printers in the Lower Mainland or...?

Mr. Bob Elliott: Yes, in the Lower Mainland.

Mr. Barry Sikora: Yes.

Mr. Russ Hiebert: Five thousand people?

Mr. Barry Sikora: Yes. We're talking about the industry, too, the letter shops, the printers, and the mail, all that stuff that goes together. It goes way deep; it goes right to the start and who makes the paper.

Mr. Russ Hiebert: Got it.

Now, if you were closed out of this market, how many of those jobs do you think would be lost?

Mr. Barry Sikora: I can speak for my own company: I'm 50% down just on the threat that the industry is going to close. Already we've seen the international mailers switch because they can't take a chance that, all of a sudden—because it's before the courts—as I said in my comments, “You're out of business, Barry”.

Already we've lost a significant amount of business. We're hoping that it will come back, but we've been at this three times now. If this doesn't pass, I'm out of business.

Mr. Russ Hiebert: So how many employees do you have?

Mr. Barry Sikora: I have 17 right now.

Mr. Russ Hiebert: You have 17. So of the 5,000 in the industry in the Lower Mainland, how many jobs are at risk?

Mr. Barry Sikora: A lot of jobs have started to wander away...a thousand, maybe?

Mr. Russ Hiebert: A thousand jobs? Okay. That's useful to keep it in perspective.

I understand that many European countries and the United States have long permitted competition in the remailer industry.

Ms. Margles, do you know how other countries compare to Canada in this industry?

Ms. Susan Margles: In terms of size or just in terms of the permission?

Mr. Russ Hiebert: Yes, through the competition...

Ms. Susan Margles: No, you're correct. My understanding is that the United States and many of the European countries, in crafting the exclusive privilege for their postal administrations, have already had—or have had all along—this part of the market open.

Mr. Russ Hiebert: So in effect, for Canada to provide some certainty, we'd really be accepting the international norm when it comes to remailers within the western democracies?

Ms. Susan Margles: Yes. I haven't looked at the numbers per se, but my understanding is that yes, most of the countries in Europe and the U.S., as I say, have had this market open for quite a number of years.

Mr. Russ Hiebert: Okay.

Now I just want to read a quote from the Canada Post CEO, Moya Greene, in her comments before the Senate finance committee. She states that, generally speaking:

I favour open markets...

For us it is a revenue risk of \$40 million to \$80 million of a total revenue stream of \$7.3 billion. We will vigorously compete for that business. Just because a market is competitive does not mean that Canada Post is out of the game. Look at what we have managed to do in the parcel business. It is the most fiercely competitive business in the country, and we are by no means out of that game. We are in there ensuring that our share of the market stays with us...

I do not think that remailers will put Canada Post under...

...I want to make it clear that [Bill C-9] does not take away the exclusive privilege. It applies only to a tiny segment of the mail...It affects a tiny subsection of the mail, and I believe that we can compete vigorously and successfully for that subsection. Of the many challenges that face Canada Post, I do not consider remailers to be anywhere near the top 10 list.

Mr. Yussuff, you stated in your remarks on page three, "We do not believe that Canadians want to see the destruction of their postal service".

The Chair: You have one minute, Mr. Hiebert.

Mr. Russ Hiebert: Do you really believe that we look at a net job situation...that if there are 1,000 jobs at risk in the Lower Mainland and perhaps 5,000 at risk across the country, Canadians would see

the destruction of their postal service if this were provided some certainty?

• (1625)

Mr. Hassan Yussuff: We think that Canada Post has had an exclusive right to provide these services to date and I think it has worked quite well. We believe that the competition obviously will bring some challenges to the corporation that continues to provide universal services.

We also believe that if the revenue stream continues to diminish, they have a couple of choices. They can cut the services in places where...it would be more I guess advisable to do so—in rural communities. We also believe it will impact on the employment at Canada Post itself because it does provide a significant amount of employment for people in rural communities, as it does in urban centres.

Mr. Russ Hiebert: So you do believe that this would be destructive to Canada Post?

Mr. Hassan Yussuff: Yes, we believe that it will have a detrimental impact.

The Chair: Thank you.

Monsieur Mulcair, s'il vous plaît.

[Translation]

Mr. Thomas Mulcair (Outremont, NDP): Thank you, Mr. Chairman.

I want to say hello to all the speakers and to thank them for assisting us in our proceedings on Bill C-9.

I'm going to start with Mr. McKenna because his testimony is very important.

By way of a story, Mr. Chairman, we are getting ready for a family trip to Europe this summer for a wedding. My wife and I, our children and their respective spouses and our grand-daughter will be on that trip. For our air tickets, I've realized that this tax literally represents hundreds of dollars. It's incredible. This is the same government that says it is opposed to tax increases. This is an enormous direct tax increase for consumers, introduced immediately before the budget, as though people couldn't understand that it was a trick to conceal the fact that they were increasing it.

You're asking questions. Are these rhetorical questions or not? That's why I ask the question. Mr. McKenna, do you have the slightest indication that anyone is criticizing anything at ATAC regarding its productivity, efficiency or management capability? How do we compare, objectively, to what's being done elsewhere in the world? I know our tax is the highest in the world. The Conservatives tax Canadians more than people are taxed anywhere else in the world for this service. How does this service compare to what's being done elsewhere?

Mr. John McKenna: I can't answer you with regard to effectiveness or efficiency because we don't have the CATSA data here. We can just compare the charges collected via this tax in various countries. We're waiting. The Minister of Transport has promised a study, a complete review of CATSA activities and efficiency. We haven't had any news since the February 26 announcement.

We would like to be able to compare these things, but we aren't in a position to do so. The only basis on which we can compare is the charges paid.

Mr. Thomas Mulcair: That's fine.

Mr. John McKenna: It's distinctly higher here than in other countries. If you go to England, you'll see that charges of all kinds represent 30% of the price of a round trip ticket. That's 30%, I should say, in addition to the price of the flight.

Mr. Thomas Mulcair: The word "flight" refers to what happens to both the aircraft and your money.

Mr. John McKenna: If you look at the price of the ticket, because I'm sure you travel in economy class since you're a responsible man—

Mr. Thomas Mulcair: With the family, we'll be in economy class, I can guarantee you.

Mr. John McKenna: I would say that the pricing component for a flight to England hasn't changed much in 20 years. What has changed are all the additional taxes and charges.

Mr. Thomas Mulcair: Of course.

Thank you.

Mr. Yussuff, thanks very much for being here and for your testimony. I would like you to be able to continue with the answer you gave earlier. You heard Mr. Elliott make certain statements. I would like you to elaborate further on your position, which we share, that Canada Post may be economically weakened and that there could be job losses. The argument we've just heard from the other side is that jobs will be created if there is competition. I would like you to respond specifically to that in order to provide us with some food for thought.

[English]

Mr. Hassan Yussuff: First, I think, we want to state that Canada Post does provide a significant amount of employment to many of our members who work in the postal service delivery and sorting business right now. To a large extent, we think that if you're able to preserve the right that Canada Post has in its mandate, this corporation can continue, of course, to enhance the employment of those people.

If you were able to diminish its broad capacity to do what is currently in the legislation, it's going to have an impact. We believe that Canada Post would then have a couple of choices. It could increase the cost of the service they're providing so they could continue to maintain it across the country, and in addition to that... Or they have other choices. They can cut the service and the employment at the same time.

It's critical to also address a point that was raised earlier about the remailing business. There are about four or five large companies,

really, that are involved in this. It is true that a lot of printing shops do supply services to these international remailing businesses, but on a day-to-day basis they compete for business on a multi-scale across the country as printing shops. It's not just the question of the remailing business. But to suggest that...it is not our view that the employment within the remailing business is as significant as my friends have stated earlier. There is employment, no question about it.

It's also important to maintain that it was the remailers who took the government to court, to a large extent, and lost this decision. They had a choice. I think it's the government's obligation to enforce the law. Simply because they lost their court case, to come back and say you should change the law because we're now doing something that's illegal.... It's been illegal for quite some time. They chose to pursue it in the courts and lost the decision.

I mean, I think we live in a society where the rule of law is supposed to have some meaning, to be fair, and I think it's critical that a government advance its responsibility to uphold and maintain the laws of our society.

• (1630)

[Translation]

Mr. Thomas Mulcair: In closing, Mr. Yussuff, allow me to tell you that you have our full support for the withdrawal of part 15 of Bill C-9. As you have seen from the questions by the Bloc Québécois, it also offers you its full support on this point. The fate of part 15 is in the hands of the Liberal Party. When my colleague Mr. McCallum spoke earlier, I saw that there was some openness to the idea. Let's hope it will result in support for the withdrawal of part 15. I believe that will favour maintenance of this essential service.

I'm very pleased to say hello to Ms. Margles and I want to tell her how proud Canadians can be of the workers and of the products and services offered to the public by Canada Post. I hope that can continue and that those products and services won't be left to wither for ideological reasons.

Thank you, Mr. Chairman.

[English]

The Chair: *Merci, monsieur Mulcair.*

We'll go to Mr. McKay for a five-minute round, please.

Hon. John McKay (Scarborough—Guildwood, Lib.): Thank you, Mr. Chair.

It is true that the Liberal Party does have to be the responsible party in the House—

Voices: Oh, oh!

The Chair: Order.

Hon. John McKay: Mr. Elliott, one of the more significant arguments that I hear about your issue has to do with rural Canada. That is, in some measure or another, this will have a negative impact on rural Canada because, by some means or another, Canada Post will have to cut back its services, and the service cuts will inevitably fall on rural Canada.

I think I've captured the argument, as Mr. Yussuff would put it.

What's your reaction?

Mr. Bob Elliott: My reaction is that it hasn't had an impact on their business either at a union level or at the corporation level for the last 20-some years.

The talk here today seems to have been around lost revenue. They haven't had that revenue for the last 20 or 25 years. If I'm not mistaken, I read somewhere—I wish I had the reference here today—in a previous incarnation of the committee, whatever committee it was, and it might have been the transport committee at the time.... When CUPW was asked directly whether this has had an impact on their membership, the answer was a very clear no. It hadn't had an impact on their membership. I can probably find that reference, but—

Hon. John McKay: I take it that your businesses are spread right across the country. They're in urban centres, suburban centres, and rural centres. Is that correct?

Mr. Bob Elliott: Absolutely.

Hon. John McKay: Ms. Margles, you have 1% of your business at risk. What particular part of Canada Post business is at risk?

Ms. Susan Margles: We have some part of this market right now. We have some customers who print and give it to us to deliver to other countries. It's not just the remailers who are in the business; we are also in this business. It is that part of the business I'm referring to.

The truth is this has been in court and disputed for a number of years. It was what I would call a grey area. If the law were changed, it wouldn't be grey anymore. It would be black and white. There probably are some customers who might have stayed with us or who might have considered whether or not to work with a remailer based on the fact it was a grey area.

Our feeling is that if the law is changed, some of those large business customers will move away from us to the remailers, and that's where the estimate comes from.

• (1635)

Hon. John McKay: Mr. Yussuff, does your membership not want to compete for that business?

Mr. Hassan Yussuff: We see the post office in a more universal context in its responsibility to deliver services. We don't see the post office simply as where it can compete and how effective it can be. The post office has a mandate to provide universal service to all Canadians from coast to coast regardless of where they live or their economic status in society.

More importantly, I disagree with Ms. Margles. The courts have confirmed unequivocally that it's not a grey area. There is no greyness here. What is before this committee is the desire to change the mandate of Canada Post, and that's fair, and that's what we're here to talk about.

But in the context of competition, we disagree. I think the Canada Post mandate represents a historical bargaining between our country and delivery of the services—

Hon. John McKay: Don't you think that Canada Post can compete with these guys?

Mr. Hassan Yussuff: I'm not disputing whether Canada Post can compete, but most of these guys that are here are not the international remailers. These are the print shops and the others who provide important services—but they're not the remailers.

Hon. John McKay: Thank you.

Mr. McKenna, you make a very compelling argument that the cost of CATSA bears no relationship to its revenues. It's pretty dramatic. It looks like a tax increase, it feels like a tax increase, and it smells like a tax increase. Therefore, it probably is a tax increase. Is that a fair statement?

Mr. John McKenna: I think I used the word “tax” in my text. Yes, sir.

Hon. John McKay: Yes. Thank you.

A voice: But increased—

A voice: Clearly.

The Chair: Thank you, Mr. McKay.

Monsieur Carrier, s'il vous plaît. Vous avez cinq minutes.

[Translation]

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

Good afternoon, ladies and gentlemen. You represent various aspects of the bill, but as our time is limited, we must choose certain issues in particular. I would like to address remailing, which is an important issue. I would also like to recall that we're talking here about subjects that are not related to the budget, but that are included in the budget implementation bill, which is unfortunate.

With regard to remailing, Ms. Margles, based on your information, what market share do you still hold relative to the overall market? I know you aren't aware of all the competition, but do you have an idea of what is in store for you, of what you are going to lose?

Ms. Susan Margles: I've estimated—and I referred to this earlier—that an amount of \$40 million to \$80 million was at stake.

Mr. Robert Carrier: They say a number of businesses are involved. The printers who are here represent people who are engaged in illegal remailing for the moment. So they have a market share.

Mr. Elliott, do you have an idea of the market share you currently have and that you don't want to lose? If the bill were implemented, it could increase. Is that share around 30%, 80%?

[English]

Mr. Bob Elliott: Again, it's all over the map. I really don't have a solid number on what that would be. We're not entirely in agreement with the \$40 million to \$80 million number. We think it's less than that as a total. But it could be more, because there's stuff going on out there in places that we don't touch.

[Translation]

Mr. Robert Carrier: With regard to the loss estimated by Canada Post Corporation, can you determine how much your market would increase if exclusive use were abolished? Does an association represent you?

[English]

Mr. Barry Sikora: Mr. Carrier, I'd like to speak to that.

It's not what we're going to gain; it's what we're going to keep. We've been doing this for 25 years and we've been doing it according to the law all the time.

There are a lot of printers who won't tell us how much. We did a survey. We tried earlier and they won't tell us how much they do, how much they're taking across the border, because they're scared of reprisals against Canada Post—

• (1640)

[Translation]

Mr. Robert Carrier: We're going to leave it there—

[English]

Mr. Barry Sikora: But I can tell you that my business was 50%.

[Translation]

Mr. Robert Carrier: We're going to leave it there, since we don't have that clarification.

You talked about the losses you would suffer if the bill wasn't adopted. Canada Post Corporation wants to act as a competitor and secure a larger market share. If you're talking about potential losses, it's because you're afraid of competition from the corporation. As Ms. Margles mentioned earlier, she only distributes documents printed by others. If Canada Post Corporation secured a larger market share, it would still have its documents printed by you. It seems you wouldn't lose everything. Only distribution would be in question. Have I understood correctly?

[English]

Mr. Barry Sikora: That's the way it would look on the books, except the international.... Right now, Canada Post does compete and they do get some of that business. If the laws change such that we can't compete, you can bet the rates will go up. Anytime you don't have competition, the rates go up.

Already some of those international mailers go to other countries to do their business; they don't have to stay in Canada. There's no mandate that they have to stay in Canada to do their international mailing, so they'll take that business, as they have already, to other countries: to Royal Mail, to USPS, or wherever they want.

Canada Post competes. If that law is changed, if we don't get this mandate, you know, no competition is not good.

[Translation]

Mr. Robert Carrier: I'd like to ask Ms. Margles one final question.

I have in hand the strategic review that Canada Post Corporation conducted in December 2008. However, it does not address the remailing issue, which was nevertheless a current issue at that time.

Isn't that a sign that remailing was quite a secondary matter for you? You describe many of your operations, but you don't talk about remailing. That's what the union employees mentioned to us yesterday. What's the reason for that?

Ms. Susan Margles: It's true that we didn't conduct an in-depth study of remailing as part of the strategic review. We discussed that issue with Dr. Campbell, the person responsible for conducting the study for the government. However, we didn't take a position on the subject.

Mr. Paillé said I laughed when he mentioned that we had changed our minds. However, for us, the issue is not having an opinion on the matter. As a Crown corporation, we have to deal with what the government gives us. We do what we can, in accordance with what the law allows us.

This is a subject we discussed with Dr. Campbell, but on which we hadn't taken a position.

The Chair: Thank you, Mr. Carrier.

Mr. Menzies.

[English]

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

Thank you to all of our witnesses for appearing here today.

Ms. Brisebois and Mr. Oakey, it's interesting that this seems to have gotten lost in the weeds: this was a top-of-mind issue. The changes that we put into Bill C-9 for credit cards slightly over a year ago were a top-of-mind issue. The biggest issue we were dealing with was access to credit for Canadians—for businesses, but also for consumers—and we were running into some challenges. To your credit, you highlighted the concerns of the businesses you represent. We do appreciate the efforts you've put forward.

I guess I'm still a little concerned. The minister is on record—and I'm sure you've heard him say this—that we have put in place a voluntary code, and that if it didn't work, this would be involuntary. I don't know how we can be more blunt, but I'm concerned by a comment you made that your sense is that some are not planning on complying. Have you heard that from your membership?

• (1645)

Ms. Diane Brisebois: Yes, indeed.

Thank you very much for the question. I'd like to make a short comment.

First,

[*Translation*]

I'm going to speak in French.

Out of respect for the chair and virtually all members of this committee, we are still presenting a brief in French and English. It is important to note that we were invited four days ago, but that a number of other issues unfortunately represent a very big priority.

[*English*]

Thank you very much. I will explain immediately why we are concerned. We are hearing from members, retailers across the country, that they are being asked to sign contracts as quickly as possible—in fact, before the code is in place.

Mr. Ted Menzies: Before May 17, five days from now.

Ms. Diane Brisebois: Before May 17.

And I suspect that all of you,

[*Translation*]

the members around the table,

[*English*]

have noticed there's been an increase in advertising for these credit cards, and quite a bit of advertising encouraging consumers to move the purchases they would usually make via debit to credit.

But most importantly in relation to the code, we have been told by our members that they've been under a lot of pressure to sign. We've also been told—and this is anecdotal evidence, but we are working with our members to offer this information to the minister—that a lot of the acquirers may not be prepared to provide the kind of information required on the statements, or the transparency, so that merchants know what they're paying for.

That, I know, is obviously of great concern to the government and to us. I think our responsibility is to ensure that we provide the minister with all the evidence possible so he can move forward.

Mr. Ted Menzies: I don't know about you, but I'd like to stay on the good side of that Irishman.

Voices: Oh, oh!

Mr. Ted Menzies: I don't think it would be wise for those institutions to do that.

Ms. Diane Brisebois: Mr. Menzies, I would have to agree with you.

Mr. Ted Menzies: Is this super card with the 3% interest rate out there and being offered to your members?

Ms. Diane Brisebois: In fact, we have started receiving.... We heard rumours that MasterCard was going to introduce a super premium card. We thought it was a joke. However, we have received e-mails from some of our merchants, specifically in Quebec and British Columbia, for whatever reason, telling us that they had been approached by their acquirers confirming that this card would be in the market this year

We were told that it would be by the end of the year, but now our merchants are telling us that they're seeing it on their transactions, on their statements.

Mr. Ted Menzies: Okay. That's very troubling. I guess our biggest concern here is that consumers don't know what the cost of this is to the merchants. I'm not sure how we get that message out there, because they get offered all the perks and think it's wonderful, but the merchants can't bear that cost without passing it on.

Ms. Diane Brisebois: I think you make a very good point. As you know, there's no question that all of us enjoy accumulating our points and using our points. But I think we need to understand that if I go in with a card that is that expensive because I'm accumulating points, David and Terrance, who are not using that card, are in fact paying for the privilege of my using that card. So it puts upward pressure on prices for everyone.

That is of great concern to merchants because, as you know, they have very thin margins. And it's of concern to us at a time when the currency is very strong, because cross-border shopping it makes even more difficult for merchants to be competitive in Canada.

Mr. Ted Menzies: Thank you.

The Chair: Thank you.

We'll go to Mr. Pacetti, please.

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

[*Translation*]

I want to thank the witnesses for being with us today.

Ms. Brisebois,

[*English*]

I've been on the committee for a while, and I know you're regular presenter, so I don't think you have to apologize to anybody.

[*Translation*]

The fact that you are bilingual is not a problem. This is a bilingual country.

[*English*]

I have a quick question. I think this is a world record in the sense that the legislation hasn't even been tabled and it's already obsolete, so what is it that you need?

Do you need this to be in legislation? It's a regulation. What else do you need?

Ms. Diane Brisebois: Thank you for that comment.

I think what I would say was fairly clear in our speaking notes. The minister has introduced a code of conduct and, as Mr. Menzies said, it's voluntary until it becomes involuntary.

● (1650)

Mr. Massimo Pacetti: But it has already become involuntary.

Ms. Diane Brisebois: Well, there is anecdotal evidence.

I think we're also here to applaud the fact that there are regulations that will allow the minister to in fact regulate the payment system. What we're saying is that this may have to happen sooner versus later.

Mr. Massimo Pacetti: So you should start working on your bilingual presentation today for your next presentation.

[Translation]

Ms. Diane Brisebois: We work on our presentations every day, sir.

[English]

Mr. Massimo Pacetti: Thank you.

Just quickly, on the remailing issue, I'm an accountant by trade and I have a couple of clients who were in printing and used to do the remailing. But it's not clear what has happened. Since the court case, it's my understanding that it's been a couple of years—four or five years, and probably more now—where you cannot remail. So we do actually have the numbers available as to what is being remailed from Canada Post.

I understand the part where there are still people loading up trucks and bringing them across the border and we're losing all of that business. Now, with electronics, we're actually sending the files electronically and getting them printed elsewhere. I understand that part, but we do have a number for what is being remailed via Canada Post, do we not? I'm not sure whom to address the question to.

Mr. Elliott, I know that you want to answer the question.

Mr. Bob Elliott: I'm not sure if it was going to be the last question you asked, though. I guess I just want to clarify that it hasn't just been in the last five or six years that we've been in business as remailers—

Mr. Massimo Pacetti: No, you've been out of the business.

Mr. Bob Elliott: No. We've been in the business, because there was a stay on that decision put in there, and the decision of the government at the time or...I think the lawsuit was against one company, not against all of them. But we've been in the business for well over 20 years. I guess that's our issue: what are we taking away—

Mr. Massimo Pacetti: So it never stopped? You never stopped?

Mr. Bob Elliott: No. Except for that one company, which obeyed the law.

Mr. Massimo Pacetti: Okay.

Now, what are the savings? I've spoken to one of the smaller universities in the Montreal area. Their projection on how much money they're saving on the remailing part is from \$300,000 to \$400,000, because they mail internationally and they save money on all these mailings that they have to do.

I can't imagine what the bigger universities are saving, but where exactly are the savings? Is it in the printing or is it in the fact that Canada Post charges too much for the cost...?

Mr. Barry Sikora: It's not the printing costs. The postage is the big part of the mailing. We have the envelopes, the paper, the printing, and the processing, but the postage is by far the biggest part. It's over double.... But Canada Post does compete. They pick

the jobs that they want to do and they can still compete in that business.

They're competing with other post offices in other countries and stuff like that, and they do it themselves. Right now, Canada Post has reps to go down to the United States to solicit companies there to do the mailing in Canada for them. So it has to be a two-way door....

Mr. Massimo Pacetti: Mr. Yussuff, I understand that you're trying to protect your members in your particular organization, but isn't there a trade-off here? Aren't we just changing four quarters for a dollar? It's the sense that maybe Canada Post will have fewer employees, but is it because private industry will have more employees? Is that the problem?

It seems to me there's a wash here, where maybe Canada Post will have fewer employees and private industry will have more, or maybe everybody will just be able to maintain more business here in Canada. I'm not necessarily seeing an advantage or a disadvantage.

Mr. Hassan Yussuff: Well, I guess there's a fundamental question: is Canada Post able to keep its mandate in terms of services across the country and at a reasonable cost where Canadians can continue to have access to them? I don't know how much business they need to lose for us to recognize that. There will have to be some recognition that it will have an impact on the corporation's ability to keep its mandate.

Mr. Massimo Pacetti: So that's what we should be keeping an eye on? Making sure the service is going to be—

Mr. Hassan Yussuff: Canada Post has a much broader mandate. We used to have Air Canada having to fly in smaller communities. Once we deregulated, we saw the impact of Air Canada no longer having to provide service to those communities. Those communities are struggling with how they'll get services.

Mr. Massimo Pacetti: So it's not just about jobs, but about services?

Mr. Hassan Yussuff: Yes. It's a combination of both.

Mr. Massimo Pacetti: Thank you.

Thank you, Mr. Chairman.

The Chair: Thank you.

Monsieur G n reux, s'il vous pla t.

[Translation]

Mr. Bernard G n reux (Montmagny—L'Islet—Kamouraska—Rivi re-du-Loup, CPC): Thank you, Mr. Chairman.

●(1655)

[English]

Madam Margles, you seem to be really popular today. It's probably because you're really dynamic, like all the other employees of Canada Post, probably.

[*Translation*]

I have a question. Has Canada Post's turnover declined over the past four or five years, or has it remained stable?

Ms. Susan Margles: I didn't understand.

Mr. Bernard Généreux: Has the turnover declined over the past five years or has it remained stable?

Ms. Susan Margles: Our revenues have fallen sharply, particularly last year, as a result of the economic situation.

Mr. Bernard Généreux: Have profits followed the same curve?

Ms. Susan Margles: Yes, they've followed the same curve. If you look at our annual report, you'll see profit of approximately \$270 million, but most of that isn't money, but rather an accounting treatment. I can say that revenues declined and that profits declined as well. Canada Post is doing everything in its power to achieve the same profits. We've cut our costs considerably, and we've changed a lot of things in order to be more efficient, and to do so without job losses.

Mr. Bernard Généreux: That's very good. I believe you are very competent and dynamic administrators.

A little earlier, during your presentation, we saw the spark in your eyes when you said you were going to compete with the private sector. You've been doing it now for 25 years, if I understand correctly. Do you have an idea of what Canada Post wants to put in place so that it can retain its market? Do you have an idea of what you are going to do from the moment the act is in force?

Ms. Susan Margles: First, with regard to costs, I talked about our postal transformation. That will give us various ways to process and deliver mail at lower cost. We'll therefore have a little room to manoeuvre. In addition, we are still studying the various ways in which we can find other revenue, other clients, either by offering them different products through our retail network, or by doing things in the digital field. A lot of people are moving in the communications field.

Mr. Bernard Généreux: During your presentation, you said you weren't afraid of competition. You're going to face it by putting in place the necessary elements you've just spoken about. Will you do that before or after losing \$40 million or \$80 million?

Ms. Susan Margles: We're going to do it regardless of what happens to this legislation. We have much bigger challenges than this simple matter of remailing. You always have to have a plan. This isn't just about what we're discussing today. We see changes in our market, like declining letter volumes, strong competition from UPS, FedEx and other companies with which you're familiar.

For a number of years now, we have been preparing plans to ensure we are there, facing the competition and offering our services to Canadians in a self-sufficient manner.

Mr. Bernard Généreux: Can we also say that the Internet has become an inevitable competitor?

Ms. Susan Margles: That's correct.

[*English*]

Mr. Bernard Généreux: *Dans mon entreprise...*for the record, I'm a printer. I'm a businessman. I have 20 employees.

I congratulate you, Mr. Sikora, for being here today and for coming to this committee. I probably wouldn't have done it. I think it's really interesting.

[*Translation*]

When we look at the competitors that Canada Post must face today, the Internet is one of them. In my business, we now do virtually everything electronically. Consequently, we receive less mail than we used to.

When I met with the Canada Post people to determine how that worked—since there are also certain issues in my constituency—they told me they were going to invest \$2 billion in equipment, as you also said a little earlier.

Are you going to take advantage of that equipment or investment to further improve your competitiveness in this specific field?

Ms. Susan Margles: If you're talking about the electronic field, the answer is yes, absolutely. Part of that investment in equipment and technology will enable us to cut our costs.

● (1700)

[*English*]

The Chair: *Merci.*

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

Mr. Mike Wallace (Burlington, CPC): Thank you, Mr. Chair. I think I'm last.

I appreciate everyone coming today.

Mr. McKenna, just for clarification, can you tell me who your members are?

Mr. John McKenna: You mean by name?

Mr. Mike Wallace: Well, are they in airline cargo? Who are your members? Tell me who your members are.

Mr. John McKenna: We represent members from across Canada that do all kinds of commercial aviation, be they large carriers or the lifeline that's operating up north or—

Mr. Mike Wallace: So is that Air Canada or WestJet...?

Mr. John McKenna: No, Air Canada and WestJet are not members of our association.

Mr. Mike Wallace: So who are your members? Give me some company names.

Mr. John McKenna: Well, there are Porter, Sunwing, and many other airlines. There are 600 commercial airlines in Canada.

Mr. Mike Wallace: How many members do you have?

Mr. John McKenna: One hundred and eighty-five.

Mr. Mike Wallace: Okay. I'll look it up on your website and I'll find out who your members are.

Mr. John McKenna: I'll send you a list if you want it, sir.

Mr. Mike Wallace: I'll look at your website.

You really don't like CATSA, period. Is that basically it?

Mr. John McKenna: Sir, we have nothing against CATSA. My words weren't criticizing CATSA here today, not at all.

Mr. Mike Wallace: Well, it sounded like it.

Mr. John McKenna: Sir, we are concerned that CATSA.... We want to make sure they're efficient. We have no proof of that. We're concerned by what they're doing. We are not criticizing CATSA. We have no grounds to criticize CATSA, because it's not being compared to anything else other than the rate we are being charged. CATSA is not charging this money; the government is charging the money.

Mr. Mike Wallace: Okay. I appreciate that.

On the remailer issue, I don't think it is an issue. We've heard from Canada Post. We heard yesterday from Canada Post employees. We heard from the remailers today. I think what's in here is doable and workable, so I don't think that's an issue.

I am saving some time for Mr. Goldstein because he didn't get any questions.

I do have some questions for you, Mr. Goldstein—sorry, my friend.

I want to be clear on something. You represent the Tourism Industry Association. Do you believe in user fees, period? Or do you think the taxpayer should pay for everything?

Mr. David Goldstein: First of all, Air Canada and WestJet are members of my organization, as well as 400 other small and medium-sized businesses across the country—

Mr. Mike Wallace: Okay. If you could answer my question.... I only have five minutes.

Mr. David Goldstein: Yes, there should be a mix, much like there is in all other jurisdictions. But here in Canada, we're one of the few in the G20 or G8 where exclusively this is on the back of the consumer. As I said in my presentation, 63% of those security fees in the U.S., our greatest competitor—

Mr. Mike Wallace: Do you know what percentage of Canadians actually take flights in a year? Do you know if it's 10%, 50%, or 80% of Canadians who take flights?

Mr. David Goldstein: We'll get back to the committee with that information.

Mr. Mike Wallace: Because to me, user fees are usually designed.... I'll give you a fine example. When I was on council at the City of Burlington, there was a lot of pressure on us from the hotel association and the tourism business to charge a specific fee for every room that got rented in the town, which they would use for marketing. That was a little bit of an issue, but they got it.

Now they're flush, let me put it that way, and they're doing well, and they're able to market. Instead of relying on the tax base from the city, they relied on the users of those rooms to do further marketing to refill those rooms.

It's a hard sell, to be honest with you, Mr. Goldstein, to say that everybody should be paying for the safety costs of flights, when I think—and I don't know for sure—that the vast majority of Canadians aren't taking flights on a regular basis.

Mr. David Goldstein: Well, I think the vast majority of Canadians benefit from secure transportation infrastructure. That is the first answer to the question.

The second part, frankly, is that if we are the chosen industry, we're hoping you'll choose someone else. The airline industry alone suffers from three-quarters of a billion dollars per year of special consideration, whether it's special fuel charges, whether it's the ATS funding that we're talking about today, or whether it's airport rents. So what we have done is that we've created a competitive imbalance for our travel infrastructure here in Canada.

Our point today, sir, is that we believe the government has recognized this. That's why the Prime Minister came out last April and said that we need a holistic tourism strategy. Unfortunately, it continues to be undermined through the cherry-picking of different initiatives like this one, and it's unfortunate....

I share the views of perhaps some of my colleagues: it's unfortunate that we are here today amongst this debate. These are all worthy issues that we're here to discuss, but by Statistics Canada's own numbers, the tourism industry is bigger than fisheries, agriculture, and forestry combined, and we are whittled away through a cherry-picking of initiatives largely because our issues are across the federal government in various federal departments.

● (1705)

Mr. Mike Wallace: Do you have any sense in terms of the volume of flights of how many are for business purposes and how many are purely for what I would call tourism?

Mr. David Goldstein: I'd be happy to provide you with those numbers, but the schedule that is a part of this proposed bill, the fee schedule, tells you per person what it's going to cost, what the fees are going to increase....

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

The Chair: Thank you, Mr. Wallace.

I want to thank all the witnesses for being with us here today.

Because it was raised, I just want to clarify as the chair with respect to official languages and document distribution. I do want to read it into the record. It's in chapter 20 of O'Brien and Bosc:

The public has the right to communicate with a parliamentary committee in either official language, as stipulated in the Constitution Act, 1982 and the Official Languages Act. However, Members sitting on a committee are entitled to receive documents in the official language of their choice. Committees usually adopt a routine motion to ensure that all documents distributed to committee members will be in both official languages....

That is as this committee has done. That's why we do not distribute documents unless they're in both official languages. It continues:

When a committee receives a document in one official language, the clerk of the committee has it translated into the other official language before it is distributed to committee members.

I did want to read that into the record to clarify matters.

I do appreciate the witnesses coming in on such short notice in terms of timelines, so I do want to thank you all for being here today.

Monsieur Carrier.

[*Translation*]

Mr. Robert Carrier: I would simply like to clarify one point concerning comments that were made about the use of French. As we just heard, documents must be forwarded in both official languages. However, what strikes us francophones most is that only one of the 11 witnesses can speak French—

The Chair: Mr. Carrier.

Mr. Robert Carrier: —and we wonder—

[*English*]

The Chair: Monsieur Carrier, members of the public, as I've just said, have a right to communicate with parliamentary committees in

either official language. Francophones can choose to present in either official language, as anglophones can.

That is the rule of the Parliament of Canada according to the Constitution Act and the Official Languages Act, and I'm not going to allow members of this committee to question members of the public who present in either official language.... They have the right to do so. That is a fundamental right in Canada.

An hon. member: Hear, hear!

[*Translation*]

Mr. Robert Carrier: I wanted to clarify some points concerning a situation that caused a certain amount of discomfort. This is so that people know they can also speak in French. It isn't obvious.

[*English*]

The Chair: People understand that.

Madame Brisebois communicates very well in French. She fully understands that.

This is not up for debate. People in the public who present to this committee or any committee in Parliament can choose to present in French or in English. It is their choice. That is what O'Brien and Bosc says: those are the rules of Parliament according to the Constitution Act and the Official Languages Act.

Okay.

Merci.

The meeting is adjourned.

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