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THE HONOURABLE GILDAS L. MOLGAT
SPEAKER

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THE SENATE

Wednesday, December 3, 1997

The Senate met at 1:30 p.m., the Speaker in the Chair.

Prayers.

VISITORS IN THE GALLERY

The Hon. the Speaker: Honourable senators, I wish to draw your attention to some guests in our gallery. As honourable senators are aware, our Parliament buildings are undergoing a major renovation. I am pleased to receive today in our gallery officials of the Department of Public Works in South Africa, led by Mr. Sipho Shezi, their deputy minister. They are here to see what we are doing. They are accompanied by Mr. Glenn Duncan, the Director General of the Parliamentary Precinct Directorate of the Department of Public Works and Government Services of Canada.

Welcome to the Senate. We hope that your observations will be helpful in your country.

SENATORS' STATEMENTS

HUMAN RIGHTS

TREATMENT OF DEMONSTRATORS AT INTERNATIONAL SUMMIT

Hon. Consiglio Di Nino: Honourable senators, the APEC meetings of the past week should leave Canadians with some comfort and much concern.

While recognizing the need for and the value of these types of multilateral encounters, we should, in the clear light of today, reflect on certain facts.

Canadians, I hope, are beginning to understand that democracy in most of Asia is defined differently than in Canada, and that, more often than not, the leaders who the Prime Minister and others wined and dined are nothing more than dictatorial tyrants, whose principal objective is to enrich themselves, their families and friends at the expense of everyone else, including citizens of their countries, as well as unsuspecting foreign investors.

Of greater concern to me is the way we treated those who have suffered under their oppressive regimes and their supporters. The brutal behaviour of the RCMP, and the brainless criticism made by the Prime Minister's communication director of a member's refusal to stand when the Chinese justice minister was introduced in the House should not make us proud.

While the President of the United States publicly calls for human rights, social conditions and the environment to be linked

to trade, Canada's Prime Minister makes an insulting and embarrassing joke about pepper spray.

It is ironic to realize that the repressive regimes we criticize — and we certainly should — will use the pictures of our police forces assaulting demonstrators as well as the Prime Minister's remarks to further justify the brutal treatment of their people in the name of peace and order. We will hear many compliments about last week's APEC conference. We should also, honourable senators, admit a little shame.

THE SENATE

NEWSPAPER ARTICLE ON SENATOR'S RESIDENCY QUALIFICATIONS—LETTER IN RESPONSE

Hon. Philippe Deane Gigantès: Honourable senators, I wrote a letter to *The Ottawa Citizen* today which I would like to read to you. It is very short. It is in response to an article they published this morning on Senator Lucier. I quote:

Senator Paul Lucier lives in Vancouver because that is the place nearest the Yukon where he can get treatment for his form of bone cancer. As soon as he feels able (after each debilitating treatment,) he comes to the Senate. It takes courage and a strong sense of duty to do what he does. When at the Senate, he is valued for his wisdom. It is because of his valuable contribution that the Senate has not exercised its right under article 33 of the 1867 Constitution to question his residency qualifications.

As a former journalist, I am surprised that you relied so much for your article on the views of Reform Party members who are trying to make partisan hay out of a fellow human being's struggle with disease.

[Translation]

ROUTINE PROCEEDINGS

VETERANS HEALTH CARE SERVICES

REPORT OF SOCIAL AFFAIRS, SCIENCE AND TECHNOLOGY COMMITTEE REQUESTING AUTHORIZATION TO ENGAGE SERVICES AND TRAVEL PRESENTED AND PRINTED AS APPENDIX

Hon. Lowell Murray: Honourable senators, I have the honour to present the second report of the Standing Committee on Social Affairs, Science and Technology requesting authorization of special expenses in accordance with the Procedural Guidelines for the Financial Operation of Senate Committees.

I ask that the report be printed as an appendix to today's *Journals of the Senate* to form part of the permanent records of this house.

The Hon. the Speaker: Is it agreed, honourable senators?

Hon. Senators: Agreed.

(For text of report, see Appendix A to the Journals of the Senate of this day, p. 225.)

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

On motion of Senator Murray, report placed on the Orders of the Day for consideration at the next sitting of the Senate.

[English]

INFORMATION COMMISSIONER

NOTICE OF MOTION TO REAPPOINT PRESENT INCUMBENT

Hon. Sharon Carstairs (Deputy Leader of the Government): Honourable senators, I give notice that tomorrow, Thursday, December 4, 1997, I will move:

That, in accordance with subsection 54(3) of the Act to extend the present laws of Canada that provide access to information under the control of the Government of Canada, Chapter A-1 of the Revised Statutes of Canada 1985, the Senate approve the reappointment of John Grace as Information Commissioner, to hold office until April 30, 1998.

• (1340)

DEPOSITORY BILLS AND NOTES BILL

FIRST READING

Hon. Sharon Carstairs (Deputy Leader of the Government): Honourable senators, I have the honour to present Bill S-9, respecting depository bills and notes, and to amend the Financial Administration Act.

Bill read first time.

The Hon. the Speaker: Honourable senators, when shall this bill be read the second time?

On motion of Senator Carstairs, bill placed on the Orders of the Day for second reading on Tuesday next, December 9, 1997.

EXCISE TAX ACT

BILL TO AMEND—FIRST READING

Hon. Consiglio Di Nino: Honourable senators, I have the honour to present Bill S-10, to amend the Excise Tax Act.

Bill read first time.

The Hon. the Speaker: Honourable senators, when shall this bill be read the second time?

On motion of Senator Di Nino, bill placed on the Orders of the Day for second reading on Tuesday next, December 9, 1997.

QUESTION PERIOD

IMMIGRATION

ESTIMATE OF OVERALL COSTS OF PROCESSING REFUGEES— TIMETABLE FOR PRESENTATION TO PARLIAMENT— GOVERNMENT POSITION

Hon. Donald H. Oliver: Honourable senators, my question is to the Leader of the Government in the Senate. Like yesterday's question, it deals with the Immigration and Refugee Board. In 1969, Canada signed the 1951 United Nations Convention Relating to the Status of Refugees and the 1967 protocol thereto. In doing so, we undertook to protect refugees who find themselves outside their country and are unable to return to it for fear of persecution. We established the Immigration and Refugee Board therefor.

In his report tabled yesterday, the Auditor General stated:

The complexity of the process means that the total processing costs cannot be measured easily.

In a previous report, the Auditor General pointed out the lack of information given to parliamentarians.

My first question is: Why was the department unable to provide a reasonable estimate of the overall costs of the process, and when will it be available to parliamentarians?

Hon. B. Alasdair Graham (Leader of the Government): Honourable senators, I would hope as soon as possible. It is a reasonable question and deserves a reasonable answer.

MONITORING OF PROGRESS OF REFUGEE CLAIMS— GOVERNMENT POLICY

Hon. Donald H. Oliver: Honourable senators, the lack of accountability is quite serious. The Auditor General pointed out all the way through the process that:

...no one in the federal government monitors the overall progress of claims.

It might explain:

...that in most cases, immigration officers rule on the eligibility of a claim without first obtaining the information required to make an informed decision.

What is the plan of the government to solve this problem?

Hon. B. Alasdair Graham (Leader of the Government):

Honourable senators, if no one is monitoring the progress of claims, then perhaps the honourable senator has a very substantial recommendation to make that should be taken seriously by the government. I would be happy to take such a recommendation to the proper authorities.

HEALTH

REPORT OF COMMISSION OF INQUIRY ON THE BLOOD SYSTEM IN CANADA—RECOGNITION OF DEBT OF SERVICE TO JUSTICE KREVER—GOVERNMENT POSITION

Hon. Richard J. Doyle: Honourable senators, I have a question for the Leader of the Government in the Senate; but first, a comment. Stephen Jay Gould, writing about AIDS in the *New York Times* in 1987, described the terrifying normalcy of plague:

Imagine plunging yourself into that black hole of long suffering and unnecessary death.

That, honourable senators, is what Mr. Justice Horace Krever has done for these last four years, and I hope the Leader of the Government in the Senate will be able today to hint, at least, at the reward, the honour, the recognition of debt that will be paid to this true and faithful servant who frightened the government into letting him finish his historic examination of the contamination of Canada's blood supply.

Has the minister news of recognition for this good citizen?

Hon. B. Alasdair Graham (Leader of the Government):

Honourable senators, I would have to determine that in response to the very worthy representation that my honourable colleague has made. The government will be providing a very full response to the report of the commission as soon as possible.

I want to say that the government welcomes the report of the Krever inquiry. Justice Krever has done remarkable work. He has made a lasting contribution to the health and safety of Canadians. As was indicated by Senator Doyle, the report impacts not only on one individual but on thousands of Canadians and citizens around the world. The Krever inquiry raised very real and legitimate concerns about the safety of the national blood system. No one could help but be moved by the plight of the victims. Therefore the government accepts the conclusions contained in Justice Krever's report about the federal role in what happened; accepts them in their entirety, and without reservation.

Senator Doyle: Honourable senators, among many of his recommendations, Judge Krever has urged the funding and

founding of a new and independent blood collecting and distributing agency. While the provinces and territories would help run this service, Judge Krever would deny the federal government any role in its operation. I ask the Leader of the Government in the Senate if granting that request might be considered reward enough for the judge?

• (1350)

Senator Graham: Honourable senators, I am not sure to what kind of a reward my honourable friend is alluding. I think the admission of the Government of Canada of its full accountability and the gratitude of people, even from people beyond our borders, is due Justice Krever.

As an immediate response, if I might add, to the Krever report, the government is announcing the creation of a blood safety council, which will include members from blood consumer groups and the scientific medical community. It will advise the government on blood safety matters.

In September of this year, an agreement was reached between the provinces and the federal government on a cost-sharing formula to fund the transition to a new national blood agency, Canadian Blood Services. The agency, I understand, will be fully operational in 1998. Of course, we encourage donors to continue giving blood, which is vital to the health of our fellow citizens.

REPORT OF COMMISSION OF INQUIRY ON THE BLOOD SYSTEM IN CANADA—RESPONSIBILITY FOR PURCHASE OF TAINTED PRODUCT—POSSIBILITY OF RCMP INQUIRY—GOVERNMENT POSITION

Hon. Wilbert J. Keon: Honourable senators, I have a question for the Leader of the Government in the Senate.

Last Wednesday night in the midst of the CBC coverage of the release of the judge's four-year examination of the contamination of the Canadian blood supply, a young mother spoke of the transfusion that poisoned her husband. "He died," she said, "for nothing."

It was a particularly poignant moment in recollections of the terrible times when the Red Cross, the provinces, territories, and Ottawa knew that the blood supplies on hand were tainted. They knew also that heat-treated blood supplies in the U.S. were safe. Canadians continued for nine months to buy the so-called poisoned stuff.

Judge Krever has named those who were careless and those who were responsible enough to order more tainted blood supplies for Canada's hospitals.

Will police and prosecutors be instructed to seek out those whose actions can be considered criminal and place their names before the courts?

Hon. B. Alasdair Graham (Leader of the Government):

Honourable senators, I thank my honourable friend for his question. Obviously, he is a person who knows a lot more about this particular problem than the rest of us in this chamber.

The Royal Canadian Mounted Police Force has indicated that it is reviewing the report. As with any information or documents in the public domain, it is up to the RCMP to determine if they want to review the report and, in so doing, to determine any appropriate action as to whether they will name individuals. At this particular point in time, I believe it would be up to the RCMP to make those recommendations.

REPORT OF COMMISSION OF INQUIRY ON THE BLOOD SYSTEM
IN CANADA—POSSIBILITY OF COMMISSIONING OF HEALTH
DIGEST FOR GENERAL DISTRIBUTION—
GOVERNMENT POSITION

Hon. Mabel M. DeWare: Honourable senators, Mr. Justice Horace Krever, in his report of the Commission of Inquiry on the Blood System in Canada, has provided us with a graphic account of a national tragedy of epic proportions, which my colleagues have touched upon in other questions. He has done more than that. He has provided the first complete and detailed account of government as a full partner in the question of health care in all of the provinces in this great dominion. He shows what disastrous results can ensue when the government segments of health care are carelessly monitored and irresponsibly tended.

Honourable senators, we are concerned here with blood and blood products, but every aspect of the health of each of us demands the intensive care of the specialists assigned to watch over us by Ottawa, the provinces and the territories.

Much of the examination of the public health environment of Judge Krever's report flows through chapter 7, page 148 of volume 1, although all three volumes are rich with references and commentaries on the achievements and failures of our government doctors and administrators.

Will the Department of Health consider the commissioning of a digest that might be entitled "The Nation and National Health" and which could be distributed to all citizens concerned with the functioning of the bodies and individuals or agencies — such as the agency mentioned in answer to an earlier question — that make life and death decisions on our well-being?

Hon. B. Alasdair Graham (Leader of the Government): Honourable senators, I am not aware of a specific recommendation of that kind or a specific response that might be undertaken by the government. Obviously, the government is examining the report and will have a response very soon.

After the release of the report, the Minister of Health, Mr. Rock, indicated he would be discussing the recommendations with his provincial colleagues. The provinces themselves have noted that even compensation is a complex question. There are many discussions and many questions to be answered. The Government of Canada will do so after appropriate discussions with the provinces and with the responsible bodies and individuals.

NATIONAL DEFENCE

SEARCH AND RESCUE HELICOPTER REPLACEMENT
PROGRAM—TIMETABLE FOR PURCHASE—
GOVERNMENT POSITION

Hon. J. Michael Forrestall: Honourable senators, I have a question for the Leader of the Government in the Senate.

This is day 58. Is it true that the government will proceed to its second tendering process with regard to the purchase of search and rescue helicopters?

Hon. B. Alasdair Graham (Leader of the Government): Honourable senators, I understand that a decision will be made very soon with respect to the awarding of the contract for the search and rescue helicopters. I am not aware that any second tendering process will be undertaken with respect to replacement of the search and rescue helicopters.

SEARCH AND RESCUE HELICOPTER REPLACEMENT
PROGRAM—POSSIBLE ALTERATION IN SPECIFICATIONS—
GOVERNMENT POSITION

Hon. J. Michael Forrestall: I thank the honourable leader for that answer, but honourable senators will be aware that on November 19 we received in our offices from Sikorsky International a letter with regard to what they felt was a biased procurement process for the purchase of a search and rescue helicopter. This was followed, as most senators will know, by a news story in *The Ottawa Citizen* on December 1, 1997.

Perhaps I could ask two questions of the Leader of the Government in the Senate. Has Sikorsky or Eurocopter threatened to sue the government over the procurement process with respect to the search and rescue helicopters? If this is true, is it because there may have been an altered specification requirement with respect to the first tender?

Hon. B. Alasdair Graham (Leader of the Government): Honourable senators, the answer to my honourable friend's first question is: Not to my knowledge. The answer to his second question is that I am not aware of any altered specifications.

Senator Forrestall: With respect to the ship-borne helicopters, is it now true, inasmuch as this is the current suggestion, that the announcement will be made sometime next fall?

• (1400)

Senator Graham: Honourable senators, I assume that my friend is talking about the maritime helicopters. I would hope that after the first award is made, the process of selecting the replacement for maritime helicopters — and I am sure that that examination is already underway — will be undertaken in a most serious and expedient fashion.

THE ENVIRONMENT

AUDITOR GENERAL'S REPORT ON OZONE LAYER PROTECTION— CRITICISM OF GOVERNMENT'S PERFORMANCE AND LACK OF STRATEGY—GOVERNMENT POSITION

Hon. Mira Spivak: Honourable senators, the Auditor General has raised several concerns with Environment Canada's record on ozone depleting substances. The report says that the federal government has failed to provide direction, and has missed or ignored available opportunities to do so, including the 1995 "Guide to Green Government."

According to the Auditor General, there are weaknesses in Environment Canada's inspection functions for ODS regulations under the Canadian Environmental Protection Act.

The Auditor General also revealed flaws in the 1992 National Action Plan on Ozone Depleting Substances. He said that there is a need for improved government accountability to address differences in requirements among provincial regulations, the plan's results, benefits and costs.

At the level of the federal department, the Auditor General stated that no department appeared to be in charge of implementing strategies to manage their ozone depleting substances. The federal government has failed to set a direction and articulate its expectations for leadership.

My question to the Leader of the Government in the Senate is: Can you tell us what remedial steps are being taken to address these concerns of the Auditor General?

Hon. B. Alasdair Graham (Leader of the Government): Honourable senators, at the national level, Environment Canada will coordinate the implementation of the National Action Plan on Ozone Depleting Substances. That will be considered by the Canadian Council of Ministers of the Environment at its next meeting.

The national action plan will continue to be the framework for the coordination of the respective efforts of the federal, provincial and territorial governments in ODS management and control. The national action plan calls for, among other things, the development of a strategy for disposal of unneeded CFCs, and so on.

HEALTH

REPORT OF COMMISSION OF INQUIRY ON THE BLOOD SYSTEM IN CANADA—COMPENSATION FOR HEPATITIS C VICTIMS— GOVERNMENT POSITION

Hon. Stanley Haidasz: Honourable senators, I should like to ask the Leader of the Government in the Senate whether it is the intention of the federal government to announce before Christmas its intention to grant any dignified compensations to those Canadians who have contracted hepatitis C, in view of the

fact that the Red Cross unfortunately allowed tainted blood into the supply that was given to these people over the past several years?

Hon. B. Alasdair Graham (Leader of the Government): Honourable senators, I thank the Honourable Senator Haidasz for his question. That is one of the matters that will be taken under review by the government.

DELAYED ANSWERS TO ORAL QUESTIONS

Hon. Sharon Carstairs (Deputy Leader of the Government): Honourable senators, I have a response to a question raised in the Senate on November 5 by the Honourable Senator Oliver with respect to the Canada Pension Plan, effects on retirees of decrease in benefits and increase in premiums; a response to a question raised on November 5 by the Honourable Senator Stratton regarding changes to the Canada Pension Plan and the actions of the new investment board; a response to a question raised in the Senate on November 6 by the Honourable Senator Oliver regarding changes to the Canadian Pension Plan, effect on employment; a response to a question raised in the Senate on November 19 by the Honourable Senator Berntson regarding the payment of legal fees for the former Minister of Indian Affairs and Northern Development, difference in treatment of others accused; and a response to a question raised on November 17 by the Honourable Senator Spivak regarding the upcoming conference in Kyoto.

HUMAN RESOURCES DEVELOPMENT

CHANGES TO CANADA PENSION PLAN—EFFECT ON RETIREES OF DECREASE IN BENEFITS AND INCREASE IN PREMIUMS— GOVERNMENT POSITION

(Response to question raised by Hon. Donald H. Oliver on November 5, 1997)

Since much of Canada's public pension system was put in place in the 1950s and 1960s, demographic and economic circumstances have changed significantly. Canada's population is ageing rapidly as birth rates have fallen dramatically and life expectancy has increased.

Today, there are around 3.7 million Canadian seniors. But the baby boom will produce an explosion in the number of seniors starting around 2011. By 2030, there will be some 8.8 million Canadian seniors. Because the post-war baby-boom was followed by the baby-bust, these seniors will represent a much larger share of the country's population than ever before. In 1966, when the CPP was put in place, there were about *eight* working-age Canadians for every senior. Today in 1997, there are about *five* working-age people for every senior. And in 2030, there will be only *three* working-age Canadians for each senior.

Canadians are living longer in retirement. Thanks to higher living standards and medical advances, life expectancy has leapt forward in just decades. This means that Canadians will be collecting OAS and CPP pensions for an average of 20 years, compared to 15 years when these programs were established.

As a result of these new circumstances, the Canada Pension Plan is no longer sustainable as it is now structured. It cannot meet the challenges that lie ahead. Action needs to be taken *now* to reduce the burden on future working Canadians.

To illustrate, the Chief Actuary of the CPP has shown that if nothing is done, CPP contribution rates will have to increase from under 6 per cent now to over 14 per cent to cover escalating costs. This is an increase of over 140 per cent for future generations.

The changes to Canada's retirement income system that the government is proposing will make our pension system both sustainable and affordable — for today's working Canadians and for generations to come.

CHANGES TO CANADA PENSION PLAN—ACTIONS OF NEW
INVESTMENT BOARD OUTWITH AUDITING JURISDICTION OF
AUDITOR GENERAL—GOVERNMENT POSITION

(Response to question raised by Hon. Terry Stratton on November 5, 1997)

To preserve the arm's-length nature of the CPP Investment Board, the Board will be permitted to appoint its own auditor. This is normal business practice — Ontario Teachers' Pension Plan and OMERS, for example, both appoint their own auditors. The integrity of the audit is ensured by the high and well-recognised standards of the auditing profession.

The Auditor General will continue to have responsibility for auditing the annual financial statements of the CPP. These will include a statement consolidating the accounts of the CPP Account, the CPP Investment Fund, and the CPP Investment Board. To accomplish this function, the Auditor General will have access to any records, accounts, statements or other information that he considers necessary.

Moreover, the Auditor General has been consulted on Bill C-2 and believes its auditing provisions will ensure that the financial status of the CPP is clearly and fairly presented.

CHANGES TO CANADA PENSION PLAN—
EFFECT ON EMPLOYMENT—GOVERNMENT POSITION

(Response to question raised by Hon. Donald H. Oliver on November 6, 1997)

In December 1995, the Department of Finance prepared an assessment of the macroeconomic impacts of raising CPP contribution rates. (This report, entitled *The Macroeconomic Impacts of Raising Public Pension Contribution Rates*, has been tabled.) The study examined short-term macroeconomic effects of two scenarios that would raise contribution rates to the steady-state rate of some 13.25 per cent based on no changes other than contribution rate increases.

The study shows that, even with much larger increases in CPP contribution rates than are being proposed in Bill C-2, the effects on growth and employment would be negligible. This reflects the fact that putting the CPP on a sound financial base will restore confidence in the viability of the plan. The proposed investment policy of investing funds in the new CPP Investment Board at arm's length from government in the best interests of contributors will further reinforce confidence in the future of the plan. The changes will generate lasting benefits through higher saving, increased investment and higher income. On balance, the permanent benefits from the proposed changes will far outweigh possible small negative short-term impacts.

JUSTICE

PAYMENT OF LEGAL FEES TO FORMER MINISTER OF INDIAN
AFFAIRS AND NORTHERN DEVELOPMENT—DIFFERENCE IN
TREATMENT OF OTHER ACCUSED—GOVERNMENT POSITION

(Response to question raised by Hon. Eric Arthur Berntson on November 19, 1997)

The Government of Canada is prepared to resolve Mr. Munro's litigation involving the payment of his legal fees in a manner which is fair and equitable to Mr. Munro and to the Canadian public. I understand that counsel for the Government has recently contacted Mr. Munro's representatives to see whether the matter can be resolved.

Other than that, since the matter is before the Courts, it would be inappropriate for me to comment any further.

Current Treasury Board policy provides for the payment of legal fees incurred by servants and Ministers for actions taken within the scope of their duties.

This is not an entitlement to legal assistance in every case. Crown servants must come within the provisions of the policy in order to receive legal assistance at public expense.

At the time of Mr. Munro incurred his legal expenses, Treasury Board policy did not cover Ministers. Requests from Ministers were dealt with on *ex gratia* basis at that time and there was no precedent whereby legal assistance was afforded to Ministers for defending criminal charges.

The Government is attempting to resolve Mr. Munro's claim for payment of his legal fees.

THE ENVIRONMENT

UPCOMING SUMMIT IN KYOTO—VALUABLE POTENTIAL CONTRIBUTION OF MEMBERS OF SENATE COMMITTEE ON ENERGY, THE ENVIRONMENT AND NATURAL RESOURCES— GOVERNMENT POSITION

(Response to question raised by Hon. Mira Spivak on November 19, 1997)

Canada is seeking an agreement that works for all Canadians. We are taking a step-by-step approach to address the issue of climate change.

Our targets are realistic and achievable.

The Government of Canada will work cooperatively with the provinces and territories, in partnership with industry, environmental groups, and individual Canadians to develop a practical, flexible, and step-by-step plan for reducing emissions prior to the ratification of the Kyoto agreement.

This step-by-step implementation plan will build on the strengths and ingenuity of Canadians. We will strive to maximize the opportunities to technology development and minimize the negative impacts.

We will seek out opportunities to work in concert with our trading partners. Our objective is to address our international commitments in such a way that no region or sector is asked to bear an unreasonable share of the burden.

An appropriate policy framework that encourages energy efficiency and innovation will enable Canadians to take action on climate change in a way that benefits both our environment and our economy.

ORDERS OF THE DAY

POSTAL SERVICES CONTINUATION BILL, 1997

SECOND READING

Leave having been given to proceed to Government Order No. 2:

Hon. Sharon Carstairs (Deputy Leader of the Government) moved the second reading of Bill C-24, to provide for the resumption and continuation of postal services.

She said: Honourable senators, frequently in this place, a senator will rise and say that it is a privilege to speak to a bill. Honourable senators, today it is not a privilege. Indeed, it is with some regret that I speak to this bill. I say "regret" because I am a firm believer in the collective bargaining process. When it fails, I feel enormous sadness. However, as I will explain in a few moments, the process broke down, and it has been left to parliamentarians to ensure that Canadians from all walks of life have their postal service restored.

Honourable senators, there is no question that there are now many alternatives to the postal service — fax, e-mail and courier service, to name a few — but for many Canadians, those services are neither affordable nor available. They depend on their postal service and, for the most part, it has served them well.

On a personal level, I know the valuable work done by many postal carriers, who are the only contact that many seniors have. These carriers keep an eye on those seniors, and I thank them for that valuable service.

It is the Christmas season. When I was the mother of young children, I remember letters sent to Santa, and addressed to the "North Pole," postal code HOHOHO, that had return correspondence from Santa which a postal worker, in his free time, had written.

Honourable senators, while I am sad about what we are doing today, I also believe it is essential. The Postal Services Continuation Act, 1997 is legislation directed at bringing about the resumption of postal services in Canada.

Honourable senators will be aware that the work stoppage which began at Canada Post Corporation on November 19, 1997, followed a lengthy period of negotiations. Despite the efforts of the parties, the two sides were unable to reach a resolution of their differences.

The dispute which has led to the proposed legislation involves negotiations for the renewal of the collective agreement between the corporation and the Canadian Union of Postal Workers, covering some 24,000 employees. The previous collective agreement, which was reached in direct negotiations, expired on July 31 of this year.

Following six weeks of direct negotiations between the two sides, the union filed a notice of dispute pursuant to section 71 of the Canada Labour Code. While the union expressed a preference for no further assistance from the department, the federal government felt it necessary to put conciliation officers in place to assist the parties in their deliberations. This was done on June 20, 1997. The parties decided to continue with direct negotiations prior to the conciliation officers joining the discussion on August 19. Following a series of conciliation sessions, the union asked the officers to report to the Minister of Labour ending their involvement, and on September 18, 1997, CUPW rejected a global offer made by the employer three days earlier.

A second stage of conciliation assistance was offered by the federal government. Mr. Marc Gravel, a well-respected third party, was appointed Conciliation Commissioner on October 7. He held meetings on October 14 and continued to explore avenues of settlement with the parties until the end of the month.

In his report, the Conciliation Commissioner indicated that he was unable to help the parties resolve their differences and suggested that the parties needed the pressure of a strike and/or lockout deadline to conclude a settlement. He also recommended that the Minister of Labour urge the parties to negotiate their dispute promptly, diligently, and in good faith, and made the services of the federal mediation and conciliation service available to them.

The commissioner's report was released to the parties on November 10, and they acquired the legal right to strike or to lockout at 12:01 on November 18.

• (1410)

During the week following the release of the Conciliation Commissioner's report, the parties met on several occasions in direct negotiations. These meetings continued following nationwide strike action by CUPW on November 19.

After speaking with both parties and being given their assurances that they still desired a negotiated settlement to the dispute, the Director General of the Federal Mediation and Conciliation Service, Mr. Warren Edmondson, was appointed as mediator in the dispute.

Unfortunately, honourable senators, neither of the parties displayed the flexibility necessary to move toward a resolution of the dispute, and the mediator, after some four days of intensive meetings, determined that there was little chance of a settlement. It is for that reason that I stand before you today.

In summary, Bill C-24 contains two main features: a resumption of regular postal operations, and the appointment of a mediator-arbitrator to resolve the issues remaining in dispute between the employer and the union, with minor exceptions. The bill implements a new collective agreement of three years duration, expiring July 31, 2000, and provides for wage increases of 1.5 per cent effective February 1, 1998, a further 1.75 per cent effective February 1, 1999, and an additional 1.9 per cent effective February 1, 2000. The three-year term is in line with most of the collective agreements being signed these days, and the wage increases are not unreasonable, given the current level of settlements in the public sector.

The remaining issues will be referred to the mediator-arbitrator, who will be guided by the need for economic- and service-related goals for the corporation as set out by the government, while taking into account the need for good labour-management relations between the employer and the union.

The guiding principle in the legislation is designed to ensure that the mediator-arbitrator recognizes the directions that have

been provided to the employer by the Government of Canada in terms of financial performance and service standards, while balancing these issues with the importance of good labour relations within the workplace. Most experienced arbitrators take such factors into account, and this clause is included in the legislation for greater certainty.

There may be questions as to why the legislation provides for a mediator-arbitrator, given that mediation was already provided to the parties in an attempt to resolve the dispute. There are basically two reasons: The first is that there are still a large number of complex issues outstanding between the two sides. The second is that the process continued in the legislation offers the parties one last opportunity to resolve these issues themselves at the bargaining table.

As I indicated, both the union and the employer maintain their position that they would prefer a settlement which they reach themselves. However, these parties have been unable to demonstrate the required flexibility to date to make the process work for them.

The Canada Labour Code gives the parties the right to strike or lockout, and early intervention to take away the right would be contrary to the spirit of the law and would discourage the parties from any serious attempts at settling their own differences. However, when it became evident that the parties were unable to work effectively within that process, the government acted to protect the interests of Canadians, to end this work stoppage which is harming Canadian charities, Canadian businesses and the public at large.

I urge honourable senators to support this bill to restore postal service across the nation.

Hon. Consiglio Di Nino: Honourable senators, I have a question for the Deputy Leader of the Government in the Senate. I am delighted that she mentioned in her remarks the effect that this postal strike has had on seniors and charities. In addition to them, many disadvantaged citizens have suffered because of the postal strike. This group of people are served very well by not-for-profit and charitable organizations.

Is there anything in the legislation that would alleviate the problems which the not-for-profit and charitable organizations have experienced, particularly at this time of year, with the postal strike? In particular, has any consideration been given by the government to the possibility of extending the deadline for donations for 1997 from December 31, 1997 to January 31, 1998 in order that the incredible number of generous Canadians who are willing to donate can get a tax receipt for the 1997 year?

Senator Carstairs: I thank the Honourable Senator Di Nino for his question. There is nothing specific in the bill to deal with that issue, but I suggest that he put that question to one or both of the ministers who we hope will appear here this afternoon in order that they may be able to make use of his valuable suggestion.

Hon. Edward M. Lawson: Honourable senators, is it true, as the postal workers are saying, that this legislation imposes a wage settlement lower than what they were previously offered by the post office? If that is true, will the parties be able to negotiate and resolve that themselves during the period of arbitration?

I am troubled by that because *The Toronto Star* reports today that the minister declined to say why he took the issue out of the hands of the arbitrator, except to say, "I decided it was the proper thing to do. I made the decision and it is there and it is staying there."

Senator Murray: Which minister said that?

Senator Lawson: The Minister of Labour is reported to have said that.

Is it true that this legislation provides postal workers with less than they were formerly offered by the post office? If so, and if this legislation passes, will they have the option to negotiate that discrepancy during the period of negotiation?

Senator Carstairs: The raises contained in the bill are 1.5 per cent, 1.75 per cent and 1.9 per cent. I understand that in the last round of negotiations before a strike was called, the workers were offered 1.5 per cent, 1.75 per cent and 2.0 per cent over three years. However, that was contingent upon greater flexibility.

I suggest that the honourable senator ask that question of the ministers as well, the union representatives and the representatives of Canada Post itself, whom we are expecting here should we proceed to Committee of the Whole.

Hon. Duncan J. Jessiman: Honourable senators, I would like to help the Deputy Leader of the Government in the Senate. The bill specifically provides that there are two things the parties cannot do. They cannot agree to change the term, which is set at three years. Second, even if they want to agree among themselves, they cannot agree to change the wage increases. I do not know why that is.

Senator Carstairs: Senator Jessiman is quite right. The legislation provides very clearly for the time of contract and for the amounts.

Hon. Noël A. Kinsella (Acting Deputy Leader of the Opposition): Honourable senators, I can understand fully why the Deputy Leader of the Government would express some sadness over the arrival of this bill here. Let us examine her sentiment. It is sad indeed when one considers that, according to the Canadian Federation of Independent Business, the lack of government leadership in this disruption has resulted in a cost to the small business sector alone of \$200 million a day. The strike

began a couple of weeks ago, and therefore the cost has been some \$2 billion for an occurrence that was not unpredicted.

Honourable senators, I invite you to do a simple calculation. This bill contains 21 paragraphs. This strike has caused a liability of \$2 billion, and all it took to rectify the situation was a bill comprising 21 paragraphs. That works out to \$100 million per paragraph.

Honourable senators, this bill needs careful examination, even though we are in an expedited mode this afternoon.

• (1420)

Honourable senators, certainly, the *conductio sine qua non* of any agreement between parties requires that the parties first be identified. The question, then, is: Who are the parties involved in this dispute? Who are the parties involved in the legislation that is now before us?

It is clear that the employees constitute one party. One would have assumed that it is clear that Canada Post is the employer but for the fact that, for the last several weeks, the Minister of Public Works has been on television and in the news enunciating a number of statements and positions that speak to the corporation.

Therefore, the question becomes: What has been the role of the Government of Canada in this process which has cost ordinary Canadians, in particular the small business community, some \$200 million per day? What has been the role of the Minister of Labour in what we would expect to be normal industrial relations circumstances, including labour relations in the public sector? I am referring to the minister who, for many, was silent. He did not even appear on the radar for a long period of time. Yet it seems that the Minister of Public Works and Government Services has responsibilities, somehow, for the corporation, Canada Post, and seemed to be enunciating government policy.

Therefore, for those who followed the dispute, some conflict was apparent between what the Minister of Labour was supposed to be doing, as the third party in the labour relations situation, and the positions being enunciated by his colleague the Minister of Public Works and Government Services, speaking often, it appeared, on behalf of Canada Post, the employer.

As we assess the legislation, this question becomes terribly important. On the one hand, it would appear that the Government of Canada has no agenda for the future of Canada Post. This government has failed to articulate a plan for this Crown corporation that recognizes the new choices Canadians have for mail delivery, including couriers, e-mail, faxes and direct deposits. I remind my honourable colleague opposite that children today are probably sending more messages to Santa Claus via e-mail and the Internet than via Canada Post.

The government has not developed a long-term business strategy for Canada Post to ensure the continuation of service to Canadians, to explore ways of exploiting new markets such as the electronic transfer of information, and to prepare for the privatization of Canada Post. If the government plans to privatize the corporation, then it should get on with it. The fact that this government would allow a postal strike to occur shows that it has been sleep-walking for the past four years. The Minister of Labour and his government dropped the ball in this dispute which has arrived before us at this stage. The Minister of Labour should have introduced pre-emptive, back-to-work legislation immediately to prevent a disruption in postal services.

This dispute was not unpredicted. It is not something that just happened. In that regard, one might reflect on what previous governments have done in this field. Honourable senators will recall that when the Progressive Conservative government was in power in 1991, that government was faced with a labour situation which was not so very different from the one faced by the current government.

What happened in 1991? Canada Post was negotiating to bring a number of unions, each with their own collective agreement, under one agreement with the Canadian Union of Postal Workers. There was a series of rotating strikes in August. The government was urged to do whatever was necessary to allow the two parties to come to a successful negotiation. This took three steps. First, under Mr. Justice Gold, an experienced and effective mediator, the Conservative government established a process which helped the parties negotiate a number of agreements in a number of sectors. Unfortunately, Canada Post and CUPW were unable to conclude a global agreement at that stage, even though partial agreements had been worked out in many areas with the help of Justice Gold.

Second, the Conservative government passed the Postal Services Continuation Act of 1991. At that time, the two parties were close to being in a position to lockout or to strike, and it was necessary for the government to prevent the damage to the Canadian economy that would result from a work stoppage just before Christmas. Compare that action and the leadership shown at that time by the former government with the lack of leadership and the cost that has been experienced by Canadians in this situation.

Third, the parties were provided with an alternative dispute settlement mechanism in the early 1990s. The Postal Services Continuation Act did this with arbitration, as is frequently used in the case of essential services. With the Canadian public protected from a work stoppage; with the gains negotiated by the union guaranteed in the new agreement; with immediate financial compensation for the workers and a way for the two sides to reach an agreement, CUPW and Canada Post were able to do just that in the new year.

In other words, this was an example of true leadership on a difficult issue. It should have served as a template to the present government. However, that was not to be. The present government advised us not to worry, that things would work themselves out. We were told to trust them. However, in this instance, the cost is real, and has been experienced by real Canadians.

Honourable senators, during the question and answer session that took place between colleagues on this side of the house and the Deputy Leader of the Government who had already spoken on this bill, reference was made to clause 12 of the bill. That is the clause which provides for wage increases. How curious that the bill provides for a wage increase which is less than the wage offer that Canada Post put on the table on November 24. Think for a moment about the question that raises, honourable senators. This legislation is proposing a wage settlement that is less than the last offer put on the table by the employer, Canada Post. Where did they come up with these numbers? When did they come up with these numbers? That is the real question. When were the legislative instructions given for drafting this bill?

Senator Di Nino: It does not take a brain, does it?

• (1430)

Senator Kinsella: It did not take a lot to draft this bill with the old numbers — not the numbers that were put on the table by the employer, Canada Post itself, on November 24. Therefore, who gave those instructions to draft this bill?

Senator Oliver: The Minister of Public Works.

Senator Ghitter: The Prime Minister.

An Hon. Senator: Fast Eddie.

Senator Maheu: Is he supporting it or voting against it?

Senator Kinsella: Honourable senators, the *Rules of the Senate* permit me 45 minutes to debate this bill. However, since we wish to expedite this bill, I will not use my 45 minutes. There are many other issues, but we will address them in committee.

Hon. Brenda M. Robertson: Honourable senators, I may be too late, but I thought when Senator Kinsella rose that he would be asking a question of the Deputy Leader of the Government in the Senate. I wish to ask her if she would entertain a question. Is it too late to ask her to respond to a question?

The Hon. the Speaker: Under the rules, it is too late; however, with leave, the Senate can do as it wishes. Is leave granted?

Honourable Senators: Agreed.

Senator Robertson: Thank you, honourable senators.

I have been following for some time now, as have we all, the events surrounding this postal strike and the mismanagement of the issue by the federal government. Who has been advising the government in this regard? I do not think it has been Fast Eddie. We have another culprit hiding in the weeds. We have the former federal minister, André Ouellet, who is the head of the post office. Is this the gentleman who has been advising the government in this regard? What is he doing for his money? He has been extremely silent. If he is the person advising the government, then you had better get a new leader for Canada Post.

Senator Carstairs: I thank the honourable senator for her question. As she knows, I am not part of the government in the narrow framework of her question, and I suggest that she ask that question of the ministers when they appear.

Senator Robertson: Thank you.

Hon. Gerry St. Germain: Honourable senators, I do not trust everything I read in the media.

Hon. Senators: Oh, oh!

The Hon. the Speaker: Honourable Senator St. Germain, do you have a question?

Senator St. Germain: Yes.

The Hon. the Speaker: Is leave granted?

Hon. Senators: Agreed.

Senator St. Germain: Honourable senators, given that the media does not always accurately reflect what people say, I decided it would be proper to read the statement made by Minister MacAulay.

Is this an individual decision? I see this as a recipe for disaster when we consider the hostility that exists between the labour faction and the post office at the present time. We can lead horses to water — in fact, we can drag them to water — but we certainly cannot make them drink, and that is my concern when people make arbitrary statements such as this.

Is this a cabinet decision? Allegedly, the government has approved this statement. However, in having the minister say as much, does it not undermine things, and is it not a recipe for disaster down the road? Will the government accomplish what it set out to do by arbitrarily sending these people back to work?

Senator Carstairs: I thank the honourable senator for his question. However, Mr. MacAulay is just outside the door. If we could have second reading, we could refer the bill to committee. The honourable senator could ask that question of the very minister about whom the article was written.

Senator St. Germain: If I can give the approval, Madam Minister, bring him in.

The Hon. the Speaker: If no other senator wishes to speak, is it your pleasure, honourable senators, to adopt the motion?

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE OF THE WHOLE

The Hon. the Speaker: Honourable senators, when this shall this bill be read the third time?

Hon. Sharon Carstairs (Deputy Leader of the Government): Honourable senators, I move that this bill be referred to Committee of the Whole presently and that the Senate do now resolve itself into a Committee of the Whole to hear the witnesses.

The Hon. the Speaker: Is it your pleasure, honourable senators, to adopt the motion?

Hon. Senators: Agreed.

Motion agreed to.

CONSIDERATION IN COMMITTEE OF THE WHOLE

The Senate was accordingly adjourned during pleasure and put into a Committee of the Whole on the bill, the Honourable Eymard G. Corbin in the Chair.

Senator Carstairs: Honourable senators, I ask that the Honourable Lawrence MacAulay, Minister of Labour, be invited to participate in Committee of the Whole.

Hon. Senators: Agreed.

Pursuant to rule 21 of the *Rules of the Senate*, The Honourable Lawrence MacAulay, Mr. Robert Cooke and Mr. Gordon Clark were escorted to seats in the Senate chamber.

Senator Carstairs: Honourable senators, I welcome the Honourable Lawrence MacAulay, Minister of Labour. He is prepared to say a few opening remarks and then to take questions from senators.

• (1440)

Hon. Lawrence MacAulay, Minister of Labour: Honourable senators, I should like to introduce the two officials who appear with me: Mr. Robert Cooke, Senior Counsel for HRDC Legal Services, Ministry of Labour, and Mr. Gordon Clark, Research Director, Ministry of Labour.

I should like to say a few words about why it was necessary to introduce back-to-work legislation to end the collective bargaining dispute between the Canada Post Corporation and the Canadian Union of Postal Workers. As Minister of Labour, I would have much preferred to see the parties negotiate a new collective agreement. However, when it became obvious that an unbridgeable impasse had been reached, it was necessary for the government to act to protect the public interest.

The collective agreement which sets out the terms and conditions of employment for some 45,000 postal workers and letter carriers expired on July 31, 1997. When the parties had difficulty reaching consensus, I appointed two conciliation officers to the dispute. These officers met with the parties from the middle of August until early September, but despite their best efforts, the parties remained deadlocked.

I decided to give the parties additional assistance and appointed Mr. Marc Gravel, a well-respected labour relations neutral to act as Conciliation Commissioner in the dispute. Mr. Gravel indicated to me that he was having little success in helping the parties resolve their differences. He suggested that the parties needed the threat of a work stoppage to conclude a collective agreement.

As we know, neither party was prepared to demonstrate the flexibility necessary to negotiate a settlement to the end of the dispute. Although we firmly believe in a collective bargaining process, we also take very seriously our responsibility to protect the public interest. The employer and the union were obviously locked in their dispute, and this was having a direct impact on Canadian businesses, on workers facing layoffs because of the strike, and on the Canadian public who depend on regular mail service.

I should like to outline the key provisions in the proposed Postal Services Continuation Act, 1997. The legislation would bring about the resumption of postal operations and provide for the appointment of a mediator-arbitrator who will resolve the issues in the dispute between the parties, with the exception of wages and the term of the new agreement. The new collective agreement will be of three years' duration, expiring on July 31, 2000. The agreement will provide for wage increases of 1.5 per cent effective February 1, 1998, 1.75 per cent effective February 1, 1999 and 1.9 per cent effective February 1, 2000.

The remaining issues will be referred to a mediator-arbitrator who will be guided by the need for economic and service-related goals for the corporation as set out by the government, while taking into account the need for good labour-management relations between the employer and the union. Experienced arbitrators take such factors into account, and this clause is included in the legislation for greater certainty.

The legislation provides for a mediator-arbitrator because of the large number of complex issues still in dispute between the parties, and because the process offers Canada Post and CUPW one last opportunity to resolve the issues themselves at the bargaining table. Both parties are fully aware that their failure to reach agreement at this stage will result in the issues being determined by arbitration.

I sincerely believe in the free collective bargaining process, and the decision to introduce back-to-work legislation was not taken lightly. However, it is time for the government to end the labour dispute when the parties involved are unable to resolve their impasse and when the result is having a serious impact on the Canadian public.

I would be only too pleased to respond to questions that honourable senators might have.

The Chairman: I remind honourable senators that we are in Committee of the Whole on Bill C-24, providing for the resumption and continuation of postal services.

Senator Kinsella: As Minister of Labour, would you briefly describe your role for the honourable senators?

Mr. MacAulay: As Minister of Labour, my role is to ensure that Part I of the Canada Labour Code is complied with, that the processes run properly and that it is fair to both sides. That is pretty much the extent of my responsibility.

Senator Kinsella: Would it be a correct statement to say that, generally speaking, the role of the Minister of Labour is that of a third, or independent, party?

Mr. MacAulay: I am guided by the Canada Labour Code. In a dispute such as this, I must be sure that both parties have a fair opportunity to reach a collective agreement.

Senator Kinsella: Minister, could you describe for honourable senators your understanding of the role played by the Minister of Public Works and Government Services?

Mr. MacAulay: The Minister of Public Works and Government Services is the minister responsible for the post office. He is not responsible for the labour program. In this process, I was the minister who was responsible.

Senator Kinsella: When did negotiations break down?

Mr. MacAulay: The legal date for the strike was November 19, 1997; is that your question, senator?

Senator Kinsella: That is helpful, minister, thank you.

When did you, as Minister of Labour, make the decision that you would recommend to your cabinet colleagues that back-to-work legislation should be introduced?

Mr. MacAulay: Honourable senators, as you are aware, we went through all the processes. When I had had discussions with Mr. Edmondson, the Director General of Mediation and Conciliation Services, he indicated that the parties were still a long way apart. At that time, for the good of Canadians, I felt that it was my responsibility to recommend back-to-work legislation.

Senator Kinsella: Minister, when was that?

Mr. MacAulay: November 28, 1997, senator.

Senator Kinsella: When were drafting instructions sent by you to the drafters to prepare this legislation?

Mr. MacAulay: Drafting instructions were sent shortly before tabling of the bill. No doubt you were following the discussion throughout the period. The last thing I wished to do was discuss the legislation publicly, until I had to discuss it publicly, and it was final.

Senator Jessiman: That is not the question. When did you give it to the people drafting the legislation?

Senator Kinsella: Thank you, minister. My next question relates to the wage settlement that is contained in the bill. How

were the dollar amounts and the time lines that are identified in section 12 derived?

Mr. MacAulay: I discussed them with my officials, but there was no wage rate agreement during the mediation up to the time of legislation. In fairness to both parties, the wage increases in the bill are fair both to CUPW and to the post office. The bill ensures a fair wage increase to CUPW workers and not an undue rate to the post office. It is a fair rate increase.

• (1450)

Senator Kinsella: Minister, did your colleague the Minister of Public Works have any input into the drafting or the setting of those increases in the rates of pay in clause 12?

Mr. MacAulay: No, he did not.

Senator Kinsella: Minister, it is my understanding, and correct me if I am wrong, that the employer, Canada Post, put on the table on November 24 their last offer as far as wages were concerned. The employer's last offer from November 24 is significantly better than what you have in clause 12 of the bill. If you were considering the positions of both the employer and the employees, and the employer had already proposed a wage settlement, how could you come in with a wage settlement which is considerably less than the employer's offer, unless your bill was drafted prior to November 24?

Mr. MacAulay: Honourable senators, during negotiations, the wage package, which was not agreed to, could or would be tied to other issues.

As you are well aware, there was no agreement on wages. The increases in the legislation are in line with collective bargaining settlements in Canada and compare favourably with the current rates for settlement in other public sector agreements. In fact, they are slightly higher than average settlements for the third quarter of 1997.

In February of this year, CUPW officials negotiated an increase of 2 per cent.

Senator Di Nino: Minister, I think we would agree that all Canadians have suffered during this dispute, including, I may add, the striking postal workers. Canadians who have likely suffered more than others are those who are less mobile. We can also include seniors and other disadvantaged Canadians.

A number of not-for-profit and charitable organizations offer this group of people help on a regular basis. This group of organizations has probably suffered more than most in that their normal, expected receipt of donations, particularly at this time of the year, have not been coming in. Has the Government of Canada considered any way to help alleviate the problems created for these organizations by the postal strike?

Mr. MacAulay: Honourable senators, I agree with you that there is certainly no good time for a strike or a lockout. Of

course, this time of the year is probably the worst time to have a strike.

I also understand that all people in Canada engaged in small business have suffered. However, we must also protect our collective bargaining system which, as you are very well aware, has worked very well in this country. In fact, in the last year, close to 94 per cent or 95 per cent of the businesses under federal jurisdiction settled without any work days being lost. The system works well.

I am certainly in no position to indicate that we will deal with losses or anything like that. I have no comment.

Senator Di Nino: You are saying that no thought has been given to this.

Has the government given any consideration to possibly extending the December 31 deadline to perhaps January 31 for receipt of charitable donations to enable those making donations to receive 1997 tax receipts?

Mr. MacAulay: Of course, that is not my responsibility. Possibly the Minister of Revenue would be pleased to consider that.

Senator Di Nino: Are you saying that no thought was given to this during cabinet deliberations?

Mr. MacAulay: Honourable senators, I am not saying there was thought given to that issue, or no thought given to it. However, it would be most unfair to say that no thought was given to it.

I understand that I am here to explain and defend the content of the bill.

Senator Di Nino: Notwithstanding that the content of the bill is important, what we are really attempting to do is serve Canadians. In order to serve millions of Canadians, would you consider presenting to your colleagues — to the Minister of Finance, the Minister of Revenue and the Prime Minister — a request or recommendation, including draft legislation if required, to extend the December 31 deadline for charitable institutions for this particular year? Will you make that recommendation to your colleagues?

Mr. MacAulay: I can assure you that my colleagues will be reading the transcripts of this debate, and they will deal with the issues for which they are responsible.

Senator Di Nino: With all due respect, minister, I did understand your response to mean that you would support such a suggestion.

Mr. MacAulay: I have indicated what will take place, honourable senator.

Some Hon. Senators: Shame!

Senator Lawson: Mr. Minister, when you are stripping trade unions of their legal right to collective bargaining and the right to strike — and there may be many reasons to justify taking action — it is most important to preserve the sanctity of arbitration in its purest form. This allows the arbitrator and the parties to work things out within a specified period of time without any preconditions or encumbrances.

However, in this case, it appears that you have taken the two most key issues, wages and length of contract, out of the hands of the arbitrator. Is this because of a lack of confidence in the arbitration procedure, or is it because you want to take command and make the decision? As you said, you made the decision, and it will stay in place.

On the face of it, if we are to believe what the postal workers tell us and what was raised in a previous question, the offer in total dollars is about \$1,000 per postal worker less than they were previously offered. Even in its best light, it seems to be unfair; in its worst light, it seems to be mean-spirited on the part of the minister. It appears you are trying to punish the postal workers.

I raise that out of a real concern. We know that over the last number of years labour-management relations have been terrible between this employer and this union. However, to penalize them, punish them and not give them the right to fair arbitration is, as Senator St. Germain said earlier in our discussion, a ticket for disaster that can only prolong and worsen labour relations. Did you take that into consideration? Have you considered what you are doing and how it will affect long-term relations?

• (1500)

Mr. MacAulay: Thank you, senator. I have answered this question before. As I have indicated, the wage rates in the bill are quite fair. Following on a 2-per-cent wage increase this year, CUPW members are assured a fair increase over the next three years. Three years is a reasonable length of time for a contract. The percentage increase is fair. In fact, as I have indicated previously, it is slightly above public service settlements in the third quarter of 1997.

Senator Lawson: Minister, you may think it is fair but, as it has been established that it is less than the workers were previously offered, they will not think it is fair. Reasonable, fair-minded people will not think it is fair. I do not think it is fair. I think this will cause a lot of problems in the future.

Why would you not let arbitration run its course? Why did you interfere and impose your will on the parties? From my experience with arbitration, I know that the parties will facilitate the arbitrator in imposing a settlement when there is cooperation between the parties and when compromises are reached. Why would you strip out the most important ingredient in arbitration?

Mr. MacAulay: Thank you, senator. First, this rate in the bill ensures that union members get a fair increase. There are many other monetary and benefit issues for the arbitrator to resolve in his dealings between CUPW and the post office. The bill

provides for a mediator-arbitrator because we do hope that the two sides will come together and that at least some of the issues will be solved through mediation.

Senator Lawson: I put it to you, minister, that through your arbitrary action you have precluded the possibility of that happening in good faith bargaining.

Mr. MacAulay: Thank you, senator. I hope you are not right.

Senator Tkachuk: Minister, thank you for being here. I am deeply troubled, as are many Canadians, not only by the strike itself but by all the events that led to the strike and by how we have ended up dealing with this situation.

I understand, as you told Senator Kinsella, that you believe in the right to strike and that, as Minister of Labour, you uphold the Canada Labour Code.

It is my understanding that labour negotiations between the post office and the union began in April of this year. Is that accurate?

Mr. MacAulay: Senator, I understand that direct negotiations began about mid-April.

Senator Tkachuk: They would have continued into the summer and through the fall. When did you decide to recommend to cabinet the presentation of back-to-work legislation to Parliament? Was it on November 28?

Mr. MacAulay: Senator, when I met with the mediator on November 28 and he indicated that there was little chance of the parties coming to an agreement, I recommended to cabinet that we introduce back-to-work legislation.

Senator Tkachuk: Are you aware of a meeting between Minister of Public Works and Government Services Gagliano and John Gustavson, President of the Canadian Direct Marketing Association, on August 6, 1997 where they discussed the strike?

Mr. MacAulay: I have read the transcripts in the media, as you have. I believe that the Minister of Public Works and Government Services will be here this afternoon. I think that would be an excellent time to pose that question.

Senator Tkachuk: I am more interested in your response, as Minister of Labour, to what was said at that meeting. My understanding from the press reports is that Mr. Gagliano told the Canadian Direct Marketing Association not to worry about the strike, that there would be back-to-work legislation within seven days of the strike starting.

Mr. MacAulay: Honourable senators, many things happen during disputes and the collective bargaining process. My responsibility was to ensure that the collective bargaining process was handled properly and fairly, and I believe it was. It is the responsibility of other people to answer for what they did or said.

Senator Nolin: It is the same government.

Senator Tkachuk: Let us go back. Were you informed before that meeting that the minister responsible for the post office would say that? He is not a civil servant or simply a member of Parliament. He is member of the executive of the Government of Canada responsible for the back-to-work legislation.

Mr. MacAulay: Thank you, senator. I understand that the Minister of Public Works and Government Services responded to that statement in the media. However, I leave it to you to pose that question later today. I would not have the audacity to answer for what the media reported that someone else said.

Senator Tkachuk: These questions are not for Minister Gagliano but for you. I asked you whether you were consulted before the meeting took place. Did you know what he was going to say?

Mr. MacAulay: No, senator. Cabinet ministers do not seek clearance from me to attend meetings.

Senator Tkachuk: When you did learn this from the media, did you, as minister responsible for labour negotiations, talk to Mr. Gagliano about what he told the Canadian Direct Marketing Association?

Mr. MacAulay: Senator, the Minister of Public Works and Government Services has his own responsibilities. I had my own responsibility in the situation, and that was to ensure that Part I of the Canada Labour Code was adhered to. I believe all parties are aware that it was adhered to properly.

Senator Tkachuk: I am asking you what action you took, and I would like an answer. Did you take any action after you learned that the cabinet minister responsible for the post office told the Canadian Direct Marketing Association that the strike would be settled in seven days? Did you then deal with the minister and with the cabinet?

Mr. MacAulay: Senator, in all fairness, I have appointed mediators and I have utilized every available part of the process. At this stage, we have a mediator-arbitrator in place. I think that if you evaluate the situation fairly, you will find that Part I of the Canada Labour Code was adhered to properly. That is my responsibility.

Senator Tkachuk: Minister, it is your bill.

Mr. MacAulay: That is correct.

Senator Tkachuk: You want us to rush this bill through on behalf of the people of Canada. I am asking you a simple question. What did you tell the minister responsible for the post office after you learned that he had told the Canadian Direct Marketing Association not to worry about this strike because it will be over in seven days?

Senator Kinsella: That is a good and fundamental question.

Mr. MacAulay: It is my responsibility to ensure that the process is handled properly. That is what I did. Any move that I

made, I discussed with my own officials, and the moves were properly made. The parties were given ample time. They were given all the assistance that they could be given from the labour program in order to reach a settlement.

• (1510)

Senator Tkachuk: What if another minister of cabinet had told another group that had a direct interest in the functions of the post office, such as the people of Canada, that they should not worry about the strike because it would be over in three days or ten days? What is involved here is a collective bargaining process. As the Minister of Labour, you have legal responsibilities to uphold the process. I am asking you, sir, if another minister had done this, would you have done nothing? If 10 ministers had been negotiating with the union and the post office, would you have sat there and watched it all happen and said nothing?

Mr. MacAulay: Quite simply, senator, I think the parties are well aware of who is the Minister of Labour, who has the responsibility, and who exercised that responsibility. I did.

Senator Tkachuk: I will also ask this question of the Minister of Public Works and Government Services. Under what authority would he have been speaking?

Mr. MacAulay: I suppose — and I do not know if I should get into supposing — if anyone is speaking, they are speaking on their own behalf.

Senator Tkachuk: I am becoming a little frustrated, Mr. Chairman.

I do not know if I speak on behalf of other senators, perhaps on both sides, when I say this, Mr. Minister. However, when you ask us to deal with this issue in an afternoon, and we have a responsibility to negotiate this on behalf of the people of Canada in good faith, I think we have a right to receive answers to our questions. I do not think you have the right to tell us that you do not have to answer these questions.

Frankly, I am upset by the fact that we even agreed to do this because I think, sir, it is your fault that we are here today. We are being asked to deal with this measure in one day. If we pass this bill, members of the union will receive less money than was offered by the post office. The management of Canada Post and the government are not making any concessions whatsoever.

Mr. MacAulay: As I have indicated, this legislation is my responsibility and I will respond to questions concerning it. The Canada Labour Code is also my responsibility.

I believe you will find that both parties will agree that they had a fair and reasonable chance to reach an agreement.

Senator Jessiman: Mr. Minister, I have a couple of questions. The first one really only needs a “yes” or “no” answer.

On the day you decided what increases in rates of pay would be included in this bill — and I add them up to be 5.15 per cent — did you know that the corporation had already offered something in excess of that? “Yes” or “no.”

Mr. MacAulay: Senator —

Senator Jessiman: Either you knew it or you did not. It is not a difficult question.

Mr. MacAulay: Senator, you are well aware that a “yes” or “no” answer is not appropriate.

Senator Jessiman: No, I am not.

Mr. MacAulay: Many issues are involved in a collective bargaining process.

Senator Jessiman: That is certainly true. I have asked you a simple question. On the day that you decided that you would give the workers a certain increase, did you or did you not know that, at that time, the corporation had offered something in excess of that?

Mr. MacAulay: The mediator informed me that the issue of wages had not been settled. What do you want me to say? What would you like me to say “yes” or “no” to, senator? Did I know that something might or might not be approved?

Senator Jessiman: At the time you decided on the first increase of what amounts to 5.15 per cent, did you know that the corporation had offered 5.25 per cent?

That is not a difficult question. You may have some rationale for deciding not to give them 5.25 per cent.

Senator Berntson: Either you did or you did not. If you do not want to tell us, that is an answer, too.

Mr. MacAulay: I guess, senator, you are convinced they are lower. The mediator gave me a report. I thought it was my responsibility to make sure that CUPW employees were treated fairly. The wage rates, as indicated, are fair.

Senator Jessiman: Before you arrived, the Deputy Leader of the Government told us that the first offer on the table was 1.5 per cent; that 1.75 per cent was the second; and that 2 per cent was the third. That adds up to 5.25 per cent. The legislation provides 1.5 per cent; 1.75 per cent; and 1.9 per cent, for a total of 5.15 per cent.

Regardless of the rationale behind it, at the time you set that total of 5.15 per cent, did you know the corporation had already offered 5.25 per cent — “yes” or “no”?

Mr. MacAulay: I read the same article in the paper as you did, senator. My responsibility was to ensure that there was a fair wage settlement for the CUPW employees. I think you would have to agree that the wage settlement is clearly fair.

Senator Jessiman: The question is not whether it is fair or not. You may have all the rationale in the world for deciding on a lower figure. I simply asked the question: At the time you made that decision, on whatever basis, did you know that the corporation had offered more? I am assuming you can only say “yes,” and then we can get on with the next question.

Senator Berntson: Or say, “I do not know.”

Mr. MacAulay: Senator, if you asked me: Did I enjoy jumping over the moon, it would not mean that I did.

Senator Jessiman: If you said “yes,” it may not mean you meant “yes.” If you said “no,” it may not mean you meant “no.” What do you mean?

Senator Roberge: He does not know.

Senator Jessiman: I will ask you something else that will require something more than a “yes” or “no” response.

I should like you to refer to clause 16 of the bill which contains amendments to the collective agreement.

You did not allow the arbitrator to set the term. You did not allow the arbitrator to set wages. However, in clause 16 it is stated about everything else in the collective agreement that, if both parties agree, they can change everything the arbitrator has done, but they can do nothing about the term of the agreement or the wages.

I am concerned, as Senator Lawson is concerned, that you did not give that right to the arbitrator, and now, in clause 16, you are taking it away from the parties. What is the rationale behind that?

Senator Comeau: The grits must be embarrassed by all this. It is simply terrible.

Mr. MacAulay: The arbitrator can deal with everything else except the length of the contract and the wages.

• (1520)

Senator Jessiman: I am asking you to look at clause 16. It has nothing to do with the mediator-arbitrator. It has to do with the parties. We know you would not allow the arbitrator to do it. I am asking you why you would not allow both parties to change it?

Mr. MacAulay: The Canada Labour Code also recognizes that the parties can modify the collective agreement, except in term 67(2).

Senator Jessiman: Are you saying that the other Act overrules this one, and that this legislation does not mean anything? Is that what you are saying?

Mr. MacAulay: No. Quite simply, I am saying that these parties cannot change these two things. They cannot change the length of the contract, and they cannot change the wage rate.

Senator Jessiman: You did not have to tell me that. If you had listened to my question, I was telling you that that is what they can do. I am asking you for the rationale behind it. You have now said, after talking to one of your assistants, that the other Act, which is not before us, allows the parties to change it at any time. If that is the case, fine. This legislation does not mean anything, then. Which is it?

Mr. MacAulay: Quite simply, senator, with this Act, they cannot change either item.

Senator Jessiman: I understand that, sir. Would you please tell us — or if you do not know, will you find out — when the two parties to a collective agreement want to agree, and do agree, the rationale for saying “No, you cannot do it”? Why?

Mr. MacAulay: Senator, I have answered the question a number of times. I decided, and I decided so that there would be a fair wage increase, and I also decided the length of the contract.

Senator Berntson: Is that collective bargaining?

Mr. MacAulay: After a certain period.

Senator Jessiman: I have another question that I will leave for a second round.

Senator St. Germain: Mr. Minister, as you are well aware, the Canadian public has already paid a huge price as a result of this strike.

As you also know, we come to this Senate from various backgrounds and experiences. Senator Lawson brings an extensive background in labour relations. I know that he has dealt with previous postal labour disputes and brings that experience to the floor of the Senate. He has pointed out to you, as has Senator Jessiman, who is an accomplished lawyer from Manitoba, the aspect of 5.15 per cent as opposed to the 5.25 per cent that has been offered.

I say to you that you are trying to settle this strike. I worry that you have been misled by your officials. You will agree, Mr. Minister, that if the perception, the optics appear arrogant, it could undermine the prospect of getting these people back to work. Do you not feel, sir, that we could end up with a major problem if one side fails to respond positively to your legislation?

Mr. MacAulay: The increases provided for in the legislation are in line with collective bargaining settlements in Canada. They compare favourably with the current rates of settlement in other public sector agreements. I have indicated that previously.

I would think that whoever might be upset, CUPW was assured of a fair settlement, and that is right in the legislation. There is no fear.

Senator St. Germain: I point out to you that fairness is all in the eye of the beholder. I have had labour experience, as a union

leader. I know that if you do not deal with the optics, what seems to be fair to one side can seem totally unfair to the other. Let us get one thing straight: This is not a question of partisanship; this is a question of doing the right thing.

Today we are at a critical point in time. A service essential to our country is shut down at a critical time for our economy. I urge you to treat it in that light, and to listen to what Senator Lawson and others are saying. This place should not be as confrontational as the other place, and should provide the results that we need. If we need to change something, let us not be too proud to make those necessary changes, before we end up with an absolute disaster.

I believe that, in your mind, and in your heart and soul, you think you are being fair. However, if it does not work, sir, it is all for naught. Would you respond to that, please?

Mr. MacAulay: That is the responsibility of the Minister of Labour, namely, to ensure that he is fair. This piece of legislation is fair. The wage rates are fair; in fact, slightly higher, as I indicated previously.

Senator St. Germain: Yes, I hear you, but I do not believe you are listening. I have been a minister. Being a minister does not bestow godliness. One can still err as a minister. I have seen it done by Conservatives, NDPs, Liberals, Social Creditors, and various others across this nation.

I am not drawing just from my side, because Senator Lawson was appointed by the Liberal regime. I am urging you to consider this aspect of it. I understand that someone must make the decision. I have been in your position, but I do not necessarily agree with the notion of standing firm when it is pointed out to you that you are facing a recipe for disaster.

Mr. MacAulay: I should like to indicate that, again, there are other benefits that the arbitrator-mediator will be able to decide upon that have economic consequences. The wage rate is there, and it is fair.

Senator Beaudoin: As to the legislative jurisdiction in this case, there is no doubt that the Parliament of Canada has full jurisdiction on postal strikes. There is, however, a freedom of association that is restricted. We may restrict the freedom of association.

Could you tell me if the Minister of Justice, as is usual in those cases, has issued a certificate indicating that the legislation before us is not against any fundamental freedom?

Senator Nolin: It must be “yes.”

Mr. MacAulay: The Minister of Justice’s officials reviewed the bill before it was tabled.

• (1530)

Senator Nolin: That is not the same as certifying it.

Senator Beaudoin: The usual practice when legislation affects fundamental rights is to have that the matter studied by the Department of Justice. Usually a visa or a certificate is issued.

Since this case is related, to a certain extent, to the freedom of association, was such a certificate or visa or some form of permission issued by the Department of Justice?

Mr. MacAulay: The Supreme Court of Canada ruled in January 1994 that this provision does not contravene the Charter.

Senator Beaudoin: That is right. The right to strike is not, according to the Supreme Court, implicit or explicit in the Canadian Charter of Rights and Freedoms, but there are some restrictions here in respect of that association.

My question is whether, as is usual, such a certificate was issued.

Mr. MacAulay: As I indicated previously, Department of Justice officials approved the bill.

Senator Berntson: Who drafted it?

Senator Phillips: I extend a welcome to the Minister of Labour, a fellow Islander, and point out to him that, unfortunately for this chamber and for Canada, we will shortly be losing one of our senators, who is a constituent of his. I hope that his experience in this chamber today will encourage him to make the walk from the green chamber to the red chamber. Now that the niceties are over, let us get down to business.

Senator Di Nino has already touched on my question. The Federation of Independent Businesses stated that it is costing them \$200 million a day. For the length of the strike, that amounts to approximately \$2.8 billion. That does not take into account the fact that, before the strike began, the post office was advising people not to use the mail. Therefore, the total cost would be higher. To me, that is callous indifference, callous incompetence.

Who was responsible for that callous incompetence? Was it the Minister of Labour? Was it the Minister of Public Works? Was it the Prime Minister? Who assumes the responsibility for this callous indifference and incompetence?

Mr. MacAulay: Thank you for your kind opening statements. As a fellow Islander, I appreciate them.

You are absolutely correct that everyone loses and there is no good time for a strike or a lockout. However, as I indicated previously, the collective bargaining system has served us well in this country. In the federal jurisdiction, 94.25 per cent of businesses resolved their differences without any loss of time at work in the last year. Strikes and lockouts are difficult to address, especially at this time of year, but we cannot destroy the system just because we have a strike at an inappropriate time.

Senator Phillips: It is interesting that the minister places more emphasis on the system than he does on the businesses which

have gone bankrupt because of the strike. I need not remind the minister that there has been a tremendous increase in the number of small businesses undergoing bankruptcy.

That leads to my next question. As I understood the minister's reply to Senator Di Nino, there will be no assistance for small business nor for charities that lost money as a result of the strike. Is that correct?

Mr. MacAulay: I hate to correct a fellow Islander, senator, but I did not make that statement.

Senator Berntson: He did not make any statement.

Senator Phillips: You did not say there would not be any assistance.

Now then, will there be assistance? Let us eliminate the confusion. "Yes" or "no"?

Mr. MacAulay: I must say, senator, this is my first visit to your chamber and you are certainly big on "yes" and "no" answers.

Senator Phillips: We have been observing this government for some time.

Mr. MacAulay: As I indicated previously, my colleagues and officials will be reviewing the transcripts of this Committee of the Whole. If there are decisions to be made, they will make them.

Senator Nolin: It will be too late!

Senator Phillips: Would the Minister of Labour lend his support to assistance for various firms, including two firms of which he is very well aware, Vessey's Seeds Ltd. and the Island Preserve Company in P.E.I.? Both firms have been very hard hit, and the minister is very familiar with both of those companies. Will he give his support to assistance for these firms?

Mr. MacAulay: The senator is drifting slightly from the content of the bill. As I indicated, these proceedings will be reviewed. I suspect that the appropriate people, if there are decisions to be made, will make them.

Senator Phillips: I note your remark about drifting from the bill. I was following your example, Mr. Minister.

Senator Sparrow: It seems to me that probably the wrong piece of legislation is before us today. If we are to take away the right to strike and to legislate labour settlements for an industry as important as this one, perhaps the Crown corporation should be designated a necessary service and strikes should be prohibited within that industry.

That is crucial. If they cannot settle by collective agreement and the government must come in and impose settlements as often as they do — particularly wage settlements — then there is no advantage in having any collective bargaining agreement at all or an arbitrator.

Why, in this particular time, does the government or your department feel it is necessary to put the wage rate increases in the legislation?

In 1991, the last time we had back-to-work legislation, there was no provision in the bill for salary increases. However, it is imposed in this particular bill. Why is this being done in this instance? Was there something wrong with the previous legislation? Did the parties not negotiate and arbitrate a satisfactory agreement in 1991? Why is it now necessary to take that part out of the bargaining process?

• (1540)

Mr. MacAulay: I thank the honourable senator for that question.

As I indicated previously, my mediator indicated to me they had not reached a settlement. With the wage rates included in the bill, it guarantees the union members a fair rate increase over a three-year period.

Senator Sparrow: What was the difference between this increase and the one in 1991, then? Why do you think you can be fairer now than you were in 1991?

Mr. MacAulay: As you are no doubt aware, I was not part of the 1991 government. I am not here to condemn legislation. My responsibility is to ensure that legislation for which I am responsible is fair. The wage rates in this bill are fair. A fair rate of increase is provided for CUPW members. I wanted to ensure that happened.

Senator Sparrow: You are saying that it is fair. In whose opinion is it fair? It might very well, in your opinion, be fair, but is it necessarily fair in the corporation's opinion and fair in the opinion of the workers? Those are the people who must be satisfied, not you as minister and not the government.

I am assuming that you have familiarized yourself with the 1991 agreement. This is almost word for word what is contained in the 1991 agreement, except the wage rates are not imposed.

When you saw that provision relating to increases in rates of pay in this bill, what convinced you that, although it was not fair to impose rates in 1991, it would be fair to impose them now? This is crucial to this bill.

Mr. MacAulay: I had to evaluate the situation at hand. Quite simply, it was fair for both sides, CUPW and the post office, that I impose a fair wage increase, which I did.

Senator Sparrow: Was the previous agreement not fair?

Senator Tkachuk: That is the question.

Senator Nolin: "Yes" or "no"?

Senator DeWare: At the time.

Mr. MacAulay: The previous agreement was reached in direct bargaining. As I indicated previously, they also had a 2-per-cent increase in February of this year.

Senator Sparrow: I am talking about the 1991 agreement.

Mr. MacAulay: I believe it was fair, and I believe this legislation is fair.

[Translation]

Senator Nolin: You have been the Minister of Labour since when?

[English]

Mr. MacAulay: Immediately following, or a few days following the June election.

[Translation]

Senator Nolin: As Minister of Labour, you are responsible for implementing and enforcing the Canada Labour Code. That is my understanding of your responsibility. Am I correct?

[English]

Mr. MacAulay: You are correct.

Senator Nolin: I am correct?

Mr. MacAulay: Yes, you are.

Senator Nolin: When you presented Bill C-24 to your colleagues in cabinet, at that moment and throughout the period that you and your office drafted that piece of legislation, did you keep in mind the fiduciary duties, the preamble to Part I of the Canada Labour Code? If I may, I will read some of the sections which start with "And Whereas" which are included in that preamble. The second one states:

And Whereas Canadian workers, trade unions and employers recognize and support freedom of association and free collective bargaining as the bases of effective industrial relations for the determination of good working conditions and sound labour management relations.

Were you aware of that and did you keep that in mind?

Mr. MacAulay: Very much so.

Senator Nolin: You had that in mind when you were writing and directing your officials in the writing Bill C-24?

Mr. MacAulay: Yes.

Senator Nolin: I will read the fourth one to you which states:

And Whereas the Parliament of Canada...

That refers to this body, the body that you are part of, and this chamber. It goes on:

...desires to continue and extend its support to labour and management in their cooperative efforts to develop good relations and constructive collective bargaining practices, and deems the development of good industrial relations to be in the best interests of Canada in ensuring a just share of the fruits of progress to all.

I take it your response would be the same respecting that section?

Mr. MacAulay: Correct.

Senator Nolin: I heard almost all of your testimony this afternoon and I do not believe that you kept those two “whereas” paragraphs in mind. Can you explain that to me, please?

Mr. MacAulay: Quite simply, I gave the process full and fair opportunity. I gave both sides every opportunity under my control and gave them every assistance that the labour program could offer to both parties. However, they could not come to an agreement, so I exercised my responsibilities as I saw fit.

[Translation]

Senator Nolin: You have acknowledged this afternoon that your bill sets pay rates lower than the level agreed to between the parties a few days before the tabling of your bill. How can you tell us that you have respected the reference in the preamble to the Canada Labour Code to harmonious labour relations between employer and employees?

[English]

Mr. MacAulay: As I indicated previously, during labour negotiations, there are a number of things involved. My mediator indicated to me they had not reached an agreement on wages. I felt it was my responsibility to ensure that the CUPW employees got a fair increase. I made sure they did by putting it in the bill.

Senator Bonnell: First, I should like to note that our witness was offered a seat in this red chamber upon my departure in January of next year. I should like to ask him to stay where he is for a little longer because he is doing a great job for the people of Canada in taking part in this process to get the postal workers back to work so that people can send Christmas cards and presents to their children abroad. It is essential that people who rely on social services receive their cheques. As an Islander, I am proud of him.

Senator Berntson: Hear, hear!

• (1550)

Senator Bonnell: I noticed in *The Ottawa Citizen* the House of Commons’ suggestion that he should run for the leadership if former premier McKenna does not steal the job from him.

I also wish to congratulate him for taking the strong stand he took against Mr. Weatherill of the Canada Labour Relations Board.

My question, Mr. Minister, is will you pledge to stay in the House of Commons and look after labour relations for the next year?

Mr. MacAulay: Thank you, senator. I will certainly do my part and be responsible for labour in this country for the next year.

Senator Bonnell: Will you give serious consideration to representing P.E.I. in the Senate when a vacancy arises in 1999?

Mr. MacAulay: Thank you, senator. That is an excellent question, but it is drifting slightly from the content of the bill.

Senator Oliver: My first question relates to the language of your bill, Mr. Minister. I direct you to clause 17 entitled “Enforcement”. The first line states:

An individual who contravenes any provision of this Act is guilty of...

The union last indicated its intention to disrupt business and has done so at airports in Toronto and Halifax. How do you intend to stop these disruptions if they occur on the workers’ own time when they are not working? Will the fines that you are imposing under clause 17 be sufficient to catch a worker and will the language in the first part of clause 17(1) — “An individual who contravenes” — be broad enough to catch a worker when anything occurs on the worker’s own time?

Mr. MacAulay: This clause is directed at getting the workers back to work. That is why it is there.

Senator Nolin: That, we know.

Senator Oliver: That was not my question at all. Do you want me to restate my question?

Senator Kinsella: Yes, you had better. Go slowly.

Senator Oliver: Clause 17(1) of the bill states, in part:

An individual who contravenes any provision...

Since the unions have indicated in the daily newspapers that they intend to disrupt business and in fact have done so at airports in Toronto and Halifax, how do you intend to stop these disruptions if they occur on the worker’s own time? Is the language in your bill, clause 17(1), broad enough to stop it?

Mr. MacAulay: Clause 17 indicates that they must go back to work. What the workers do on their own time is not dealt with in clause 17.

Senator Oliver: If there are problems such as those that have been threatened, what will you do about it, Mr. Minister? The newspapers have indicated that there may be repercussions if this bill becomes law, such as stoppages and problems at airports and elsewhere, some of which have already occurred. Since the language of your bill — in particular clause 17 — is not broad enough to cover these actions, what, if anything, will you do?

Mr. MacAulay: Senator, as I indicated previously, this part of the legislation is there to get the workers back to work. Other problems or legal problems will be dealt with by the law of the land. If one party or the other decided to do something illegal, the problem would be dealt with by the law of the land. This legislation, as I indicated, is intended to make sure that the workers get back to work.

Senator Oliver: You are bringing in a bill that will probably become law. One of the things that the law does — and I am a lawyer — is to build upon precedents. Senator Sparrow asked you a series of excellent questions about the precedent that we would like you to cite for us with respect to putting in this bill something that has not been in previous bills, in particular, clause 12. What is the precedent for putting clause 12 in legislation such as this?

Senator Kinsella: That is an excellent question.

Mr. MacAulay: Senator, it has not been done previously. As I indicated before, I felt it was a move I should make in order that fairness be assured for CUPW and the post office.

Senator Oliver: In other words, there is no precedent for breaking the collective bargaining process such as you have in clause 12.

Mr. MacAulay: Not in this type of legislation; not in the labour code.

Senator Oliver: Senator Carstairs made some remarks before you came into the chamber. One of the phrases she used in a carefully crafted address was “essential service.” Is it your opinion that the postal services in Canada are or are not an essential service?

Mr. MacAulay: It is what it is. It is not an essential service. It is treated under the Canada Labour Code like any other business.

Is that the answer, or are you asking for my personal opinion?

Senator Oliver: I am asking for your personal opinion.

Mr. MacAulay: I feel that it is where it should be.

Senator Oliver: As Senator Di Nino pointed out, certain charities, business groups, elderly people and others who are disadvantaged have been seriously injured and harmed as a result of this essential service being stopped. Do you still not consider this to be an essential service? Are you not prepared to name it as such?

Mr. MacAulay: I am well aware that you are genuine in your concerns, but there has been a review of the Canada Labour

Code. There has never been any suggestion that the post office should be classified an essential service at the time.

Senator Oliver: Are you prepared to review that portion of the Canada Labour Code in light of the hundreds of millions of dollars that have been lost in the last two weeks?

Senator Kinsella: Two billion dollars.

Mr. MacAulay: Senator, essential service legislation does not guarantee labour peace, nor does it ensure a healthy labour relations climate, such as recently happened in the education field. It does not ensure that we will not have a strike or a lockout.

I agree with you that there is never a good time for a strike or a lockout. However, I do not believe that, when we have a system that has worked as well as the collective bargaining system in this country, we should destroy the system because of certain instances.

Senator Oliver: Earlier, when honourable senators were asking questions, you requested that they make their questions more directly related to the legislation before us. With that in mind, I would now like to direct you to clause 16.

Previously, you indicated that there is no precedent for your proposed clause 12. I am asking, therefore, is there also no precedent for proposed clause 16?

Mr. MacAulay: Senator, proposed clause 16 is a standard clause that has been used previously.

Senator Oliver: It is not standard when it says that everything but clause 12 can be subject to collective bargaining. What is the precedent? Perhaps you could assist me by directing me to the statute in our book that shows there is a precedent. I do not know of one. Would you be kind enough to direct me?

• (1600)

Mr. MacAulay: As I have indicated, there was no precedent for clause 12, but I did answer as to why I felt it was appropriate for me to put the wage rates in the bill.

Senator Oliver: My point is that if there is no precedent for clause 12, and clause 16 excludes clause 12, how can there possibly be a precedent for clause 16 in its present form?

Mr. MacAulay: You are correct, because there is no precedent for clause 12.

Senator Oliver: There are two provisions in this bill which are without precedent, then?

Mr. MacAulay: That is correct.

Senator DeWare: Mr. Minister, I realize that the public pressure to settle the strike or find a solution has resulted in this back-to-work legislation. However, that pressure does not preclude the government from exercising its power to do everything possible to ensure that there is bargaining in good faith.

At the time the mediator decided that he could not go any further, how many items were signed off and how many were left? Second, did you consider final offer selection, and if not, why not?

Mr. MacAulay: Senator, when I spoke with my mediator on Friday, he indicated that there were quite a number of issues that were not settled. I did not consider final offer selection because the issues were too complex. As you are aware, the Sims report indicated that in complex settlements it does not work. Therefore, I could not consider final offer selection because it would not be fair; it would only result in winners and losers. I wanted a settlement that was as balanced and fair as possible.

Senator DeWare: How many items were up for negotiation when you started? Were there 110?

Mr. MacAulay: I do not have the exact number.

Senator Kinsella: Could you send for it?

Senator Forest: I, too, would like to thank you for coming here to answer our questions. This is a difficult situation. It is difficult for our postal workers, the corporation, and especially for the Canadian people whom we represent. You will understand that we do have some questions to ask.

A number of questions have been asked about the wage offer that was put on the table by the corporation, and the disparity between it and the wage which is stipulated in the bill. I assume that when the offer was made by the corporation, which the union did not accept, there were other conditions attached to that offer that were also not accepted. Is it the case that the wage offer made in the bill is somewhat different because other working conditions were not agreed to?

Mr. MacAulay: I thank you for your question, senator. In labour negotiations, there are many issues. You cannot pick out one item in a complex issue.

It is my responsibility to ensure that the system is fair. Including these rates in the bill assures both CUPW and Canada Post that the wage rates will be fair.

Senator Forest: I appreciate your answer. We all hope that a fair settlement will result, and that our postal workers can get back to work to the benefit of businesses and charities.

Senator Stratton: Thank you, minister, for attending here this afternoon.

My first question requires a "yes" or "no" answer. It concerns the wage rates set out in clause 12 with no opportunity for negotiation.

Can the minister assure us that André Ouellet, Chairman of Canada Post, will not receive any salary increases, including bonuses, in excess of those spelled out in clause 12 of the legislation?

Mr. MacAulay: Senator, you will have the opportunity to ask that of the minister responsible for Canada Post once you have finished with me.

Senator Stratton: Who determines the chairman's salary?

Mr. MacAulay: The chairman's salary does not fall under my legislation.

Senator Stratton: If you do not know the answer, that is fine. You are not expected to know everything; just the bill.

Mr. MacAulay: I would suspect that it is settled by Order in Council, but I should not guess.

Senator Stratton: Can I expect that the minister responsible for Canada Post would be able to respond to that?

Mr. MacAulay: I would expect that he could respond to your question.

Senator Stratton: Clause 10 of the bill deals with "proceedings prohibited." It states:

No order may be made, no process may be entered into and no proceeding may be taken in court...

(b) to review, prohibit or restrain any proceeding or decision of the mediator-arbitrator.

Is that a standard clause in a bill such as this?

Mr. MacAulay: It is in the Canada Labour Code and has been used previously.

Senator Stratton: This, then, is a normal clause in a bill such as this?

Mr. MacAulay: Yes, senator.

Senator Stratton: Even if they do something wrong under the law, they cannot be sued?

Mr. MacAulay: They would use the 1995 law, senator.

Senator Stratton: If either side, or the mediator, does something wrong, under the law there is no recourse to the courts?

Mr. MacAulay: If it is patently unreasonable, it can go to court.

Senator Stratton: If it is patently unreasonable under the law, it can go to court?

• (1610)

Mr. MacAulay: Yes.

Senator Kinsella: Minister, in response to Senator DeWare's questions concerning how many items were left outstanding on the table between the parties, and in order to deal with this legislation this afternoon, would you have one of your officials send immediately to the department for answers to the questions that could be brought to us by messenger? I am sure you have enough assistants around that you can do that. Would you undertake to send for them right away?

Senator Roberge: "Yes" or "no."

Mr. MacAulay: Senator, the exact number is not relevant. It was just a number of issues in dispute. What we want to do is come to an agreement.

Senator Kinsella: Senator DeWare asked the minister how many items were left outstanding. If senators were to check the record of the proceedings they would see that the minister said that they were "substantial" that he could not recall the exact number, but they are available.

My request is that the minister send to his department to obtain that information so that we can have it as we are deliberating. It is information that we wish to have.

Will the minister undertake to send someone to get that information so that we can deal with this legislation?

Mr. MacAulay: Quite simply, the mediator reported to me that there were several issues in dispute and that they could not resolve a number of issues. We will have now a mediator-arbitrator who will solve the issues between the parties.

Senator Kinsella: Minister, is it your testimony that you do not know how many items were outstanding or that you do know but you do not have the information with you here in the Senate?

Mr. MacAulay: Quite simply, I am not trying to hold up anything. I did not have a specific number. What I know is that several issues were not resolved. We are putting in place legislation that will permit mediation. If that does not happen, an arbitrator will decide.

Senator Kinsella: Are you aware of what the outstanding issues are between the disputants?

Mr. MacAulay: Yes, I am aware of a number of the issues, such as route lengths, job security and wages. There are several others.

Senator Kinsella: Minister, would you agree that, in order to make a reasoned assessment of this back-to-work legislation, which strips the rights of Canadians, great care and caution must be exercised by Parliament? Therefore, the nature and the magnitude of the dispute is very germane to assessing the legislation which is now before us.

Senator Comeau: "Trust us," he says.

Mr. MacAulay: As you are well aware, the parties will bring all the issues to the table. They will have mediation and an arbitrator if they cannot reach a decision.

Senator Kinsella: Minister, the responsibility of the Minister of Labour in bringing before Parliament labour legislation, which the minister believes is in the public interest, is to ensure that members of Parliament are able to assess whether or not what is being asked is, indeed, in the public interest. Therefore, one has to know the nature and magnitude of the dispute. As Senator DeWare asked, what were the outstanding issues? You have said that there were several. You have made reference to two of three, one of which is contained in clause 12 of the bill.

Can you give us a bit more of a feeling about this? What are the outstanding issues? Why were other outstanding issues not put in other clauses of the bill? After all, clause 12 deals with one issue, namely, wages.

Mr. MacAulay: As I stated previously, there are a number of issues which we hope the mediator will be able to resolve. At the moment, the public interest is what is at stake. We want to get the post office functioning. That is what this legislation is all about. It is also to ensure that members of CUPW and the post office are treated properly.

Senator Kinsella: In terms of the public interest and the cost to the Canadian public, minister, what is your estimate as to how much this strike has cost to date?

Mr. MacAulay: I am well aware that it has cost the Canadian public a great deal. It has cost small- and medium-sized businesses a great number of dollars. It has also hurt charities. I do not have, nor should I give, an estimated figure. It is on an hourly basis that money is lost. That is why it is so important that we get the post office moving again.

It must be kept in mind that we have used every effort at our disposal to ensure that the bargaining system works. That is why the mediator-arbitrator is contained in the bill.

Senator Kinsella: When you made the decision to introduce back-to-work legislation to override the normal collective bargaining rights of the parties, did you do so in the national interest?

Mr. MacAulay: I did it in the interests of all, in the interests of Canadians, members of CUPW, the post office, small businesses and charities — Canadians as a whole. That is why this legislation is being brought forward.

Senator Tkachuk: I wish to go back to the meeting with Mr. Gustavson. Did you say that you were not consulted before the meeting?

Mr. MacAulay: That is correct. I was not consulted as to whether or not he would meet with him.

Senator Tkachuk: Were you aware of the meeting? You may not have been consulted. Let us go through that again.

Mr. MacAulay: Quite simply, I was aware when I read it in the media. The Minister of Public Works and Government Services has responded a number of times concerning this issue. As I indicated previously, I expect he will respond when you have finished your questioning of me.

Senator Tkachuk: Did you have discussions with the chairman of the post office on this matter?

Mr. MacAulay: No, I did not.

Senator Tkachuk: Do I understand, then, that there were no discussions among the post office, the union and your office?

• (1620)

Mr. MacAulay: About this meeting?

Senator Tkachuk: No. Did you have meetings with them?

Mr. MacAulay: Yes, I did. I met with the president of the CUPW and officials of the post office on more than one occasion.

Senator Tkachuk: Which officials of the post office?

Mr. MacAulay: I met with the chairman of the board, and I met with the president of the CUPW.

Senator Tkachuk: Together?

Mr. MacAulay: No.

Senator Tkachuk: When you were meeting with Mr. Ouellet — you said “officials of Canada Post” — what other officials were in the room with Mr. Ouellet?

Mr. MacAulay: Drawing from memory, I met with him shortly on one occasion. If I recall correctly, it was more or less to urge him to try to come to a settlement. It was not at the end of the negotiations. I did meet with the president of the CUPW. I was in contact with both parties before I appointed Mr. Edmondson as mediator, but I met with the president of CUPW on that occasion.

Senator Tkachuk: Let me get this straight. You said you met with Mr. Ouellet and the chairman of the board and officials of Canada Post. However, in fact, you just met with Mr. Ouellet. There were no other officials present. This was a private meeting.

Mr. MacAulay: You are correct.

Senator Tkachuk: Did the same situation prevail in your meeting with the president of the CUPW? That is to say, was it just him and you?

Mr. MacAulay: No. When I met with the president of CUPW, he had two officials with him, I believe. I believe I had one staff person. I met him twice. That was the situation both times.

Senator Tkachuk: Was it before Mr. Edmondson was appointed that all of these meetings took place?

Mr. MacAulay: That is correct.

Senator Tkachuk: What do you think caused the system to fail?

Mr. MacAulay: I believe there was not enough flexibility on either side. When I made the last-ditch attempt to appoint a mediator and I met with the CUPW and spoke with officials of the post office, I was just urging them to become more flexible.

Senator Tkachuk: Do you think it was a failure of negotiations; or was it incompetence on both of their parts, or on one of their parts?

Mr. MacAulay: I would certainly never indicate that. As you are well aware, sometimes things do not work out. I certainly would not blame either party.

Within my powers, I did everything I could to encourage both parties to become more flexible. In most cases, it works; in this case, it did not.

Senator Tkachuk: You had one meeting with the chairman of the board of Canada Post, Mr. Ouellet. You had one meeting with the president of the CUPW. You now tell me that you did everything possible to bring the two parties together. You only talked to them once, and only for a brief moment with the chairman of the board is what you said. Were you having discussions with the minister?

Mr. MacAulay: I met with the CUPW president twice. My responsibility is not to be mediator but to ensure that all opportunities are available to both sides to come to a mediated settlement.

Senator Tkachuk: Did you tell them that, if they did not come to terms, they would be legislated back to work before the mediator was appointed?

Senator Simard: That would be a threat.

Mr. MacAulay: No.

Senator Tkachuk: Did you tell the minister responsible for the post office that you would be legislating the postal workers back to work?

Mr. MacAulay: Before I made the decision on Friday and made a public announcement, I did everything in my power to urge both sides to get together and to come up with a collective agreement.

Senator Sparrow: In answer to the question raised by Senator Stratton concerning clause 10 which deals with proceedings being prohibited, you indicated that was a standard provision in agreements such as this. That “standard provision,” as you refer to it, was not contained in the 1991 legislation. Are we now establishing another precedent in this particular legislation? It was mentioned earlier by Senator Oliver that there were only two precedents. Is this a third one?

Mr. MacAulay: No, it is not. This was used in 1995, and it is also contained in Part I of the code.

Senator Sparrow: I asked about the 1991 legislation, the last time they were legislated back to work.

Mr. MacAulay: I understood that you asked me if there was any precedent for this, and I just indicated that it was used in 1995 and that it is contained in the code.

Senator Sparrow: During further questioning you indicated that, although you were aware of the unresolved issues, you could not list them. It would seem to me that you would surely have asked what the unresolved issues were. If you did ask, then that information should be available to us. If you did ask and you did not get that, it seems to me that a decision had been taken to legislate regardless —

Senator Nolin: Early August.

Senator Sparrow: — of what happened in the negotiations. That takes away any possibility of free bargaining by the corporation or by the unions. That is wrong. That is why I prefaced my remarks earlier by stating that, if that is the case, then the wrong legislation is before us. If we are to be faced with back-to-work legislation, then make it an essential service so that we know and they know where we stand, and so that this service will not be disrupted in the future.

Some Hon. Senators: Hear, hear!

• (1630)

Mr. MacAulay: The last agreement was reached without a strike. I certainly would not appoint a man of the calibre of Warren Edmondson to enter a fray like that unless I felt there was a reasonable chance that we would come to a collective agreement.

In all honesty and fairness — and I think you would have to agree — I used every tool at my disposal to see if we could come to a collective agreement. That was what I wanted. The last thing I wanted was to come in with legislation, but the time has come.

Senator Sparrow: You have suggested that you have used every tool. What about the unresolved issues? If there was no possible agreement on these other issues, perhaps they should have been included in the imposed settlement the same as the wages.

You must have known what those unresolved items were. If you do know, then you should answer the question of the honourable senator who asked about those issues. If you do not know the answer, then I do not think you did everything possible to resolve this dispute before it got to this stage.

Mr. MacAulay: As I indicated previously, the issue of part-time workers was one difficulty. Route length was another. Job security was a difficulty. On wages, they had not reached

agreement. I felt it was important and proper that both sides were treated fairly in the wage issue. That is exactly why I put the wage rates in the bill, namely to ensure that CUPW employees and the company had a fair settlement.

Senator Robertson: Mr. Minister, you said you have used every tool at your disposal. This dispute with the postal workers has been going on for a long time, many months. Did you hire outside labour lawyers to help you resolve this dispute or did you rely totally on in-house staff?

Mr. MacAulay: Yes, I did hire an outside lawyer. Marc Gravel is a well-respected, neutral person in mediation.

Senator Robertson: Anyone else?

Mr. MacAulay: He followed my own conciliation officers who were appointed before Mr. Gravel. After Mr. Gravel failed, I appointed the Director General of the Federal Mediation and Conciliation Services, Mr. Warren Edmondson, who is, again, a highly respected neutral person. He stepped into the dispute to try to come up with a collective agreement.

Senator Robertson: Mr. Gravel was the only person who you employed before Mr. Edmondson?

Mr. MacAulay: He is the only one outside of my own people.

Senator Robertson: Did you employ management consultants before things broke down?

Mr. MacAulay: My responsibility is to follow the directions under the Canada Labour Code. I am sure you are aware of that.

Senator Robertson: Yes, I understand that.

Mr. MacAulay: That is exactly what I did. I believe you would agree that we appointed Mr. Edmondson — this is a matter of opinion, too — to a situation that was not easy. Mr. Edmondson is highly qualified. He did everything he could possibly do but was unable to come up with an agreement.

Senator Robertson: Before Mr. Edmondson, did you hire anyone beside Mr. Gravel either as a labour lawyer or as a management consultant? Was he the only one?

Mr. MacAulay: No. As I indicated, I followed the process under the Canada Labour Code.

Senator Robertson: Are you aware whether Canada Post had hired labour lawyers or management consultants during that run-up to what we could call a breakdown?

Mr. MacAulay: Perhaps they did. I am not aware. Possibly CUPW did, too. That is their prerogative, to hire people to help in the negotiations.

Senator Robertson: I will reserve that question for the next witness. He should know about that.

The Chairman: I thank Mr. MacAulay, the Minister of Labour, and his officials for assisting the committee in its deliberations this afternoon.

Senator Carstairs: Honourable senators, I would ask that the Honourable Alfonso Gagliano, Minister responsible for Canada Post Corporation, be invited to participate in the deliberations of the Committee of the Whole.

Hon. Senators: Agreed.

Pursuant to rule 21 of the *Rules of the Senate*, the Honourable Alfonso Gagliano, Minister responsible for Canada Post Corporation, and Ms Jane Billings were escorted to seats in the Senate chamber.

Senator Carstairs: Honourable senators, Minister Gagliano is accompanied by Ms Jane Billings, Assistant Deputy Minister, Corporate Implementation Group, Public Works and Government Services.

• (1640)

[Translation]

The Chairman: I welcome Minister Alfonso Gagliano and Ms Billings to the Senate. You may make a statement to the Senate; if not, we will proceed immediately to questions by the honourable senators.

Hon. Alfonso Gagliano (Minister of Public Works and Government Services): Honourable senators, I thank you for your invitation. I am here to answer your questions on the grand Canadian institution it is my honour to be responsible for: the Canada Post Corporation.

[English]

It is most unfortunate that the reason for my presence here today is a 14-day-long strike by the employees of Canada Post, members of the Canadian Union of Postal Workers.

For weeks and months, my colleagues and I have worked very hard to create the environment for a negotiated settlement. Indeed, this year alone, Canada Post has succeeded in signing collective agreements with its three other employee unions. I believe the negotiations turned out to be more difficult because CUPW still believes that we want to privatize Canada Post. I have said dozens of times that this is not the case. I said it in French, English and even Italian. Nothing seems to convince them.

[Translation]

Again yesterday, during debate in the House of Commons, the fear of a privatized Canada Post resurfaced. Once again, the government took clear action by agreeing to a change in the initial wording of the bill. However, it is important to remember what the government means by viability and financial stability.

[English]

By “viability” and “financial stability,” the government means that Canada Post must operate in a manner that is consistent with comparable industries in the private and public sector. Canada Post must have sufficient flexibility to manage its business in a competitive environment. This means that it must make acceptable financial returns.

The arbitrator will have to be guided by the fact that the government has instructed Canada Post to be profitable. This is the approach of our government.

I am happy to answer any questions that you may have at this time.

Senator Kinsella: Thank you, minister, for being here this afternoon.

Perhaps it would be helpful to honourable senators if you would briefly describe your role as the minister responsible for Canada Post. In so doing, perhaps you could explain the relationship that exists between you as the minister and the board that governs Canada Post.

Mr. Gagliano: As the minister responsible for Canada Post, I answer to the Government of Canada and to Parliament. Therefore, I meet or speak regularly with the chairman of the board or the president of the corporation. I also meet frequently with the members of the board. As minister, I recommend to the Governor in Council the members of the board of the Canada Post Corporation. That is my role.

Senator Kinsella: Within your responsibilities, do you have any special duties relating to labour relations between Canada Post and its employees?

Mr. Gagliano: As the minister responsible for Canada Post, I must assure Canadians that their postal service is adequate. Therefore, I am concerned that management-labour relations should function. I was definitely concerned, and I raised these issues with the chairman of the board.

Senator Kinsella: What class or category of Crown corporation is Canada Post?

Mr. Gagliano: It is a Schedule II Crown corporation.

Senator Kinsella: As a Schedule II Crown corporation, who is the employer?

Mr. Gagliano: Canada Post Corporation, the company, is the employer.

Senator Kinsella: On August 6, 1997, did you have a meeting with a number of persons, including John Gustavson, president of the Canadian Direct Marketing Association?

Mr. Gagliano: During that period I met with Mr. Gustavson, yes. I also had a meeting with the officials of the Canadian Federation of Independent Business. During the same period — not on the same day — I had a meeting with CUPW officials.

Senator Kinsella: It is our understanding that Mr. Gustavson wrote a memorandum subsequent to that meeting on August 6, 1997, in which he stated that you, as minister, said that the postal workers, should they go on strike, would be legislated back to work within seven days. Is there any truth to that statement, as far as you are concerned?

Mr. Gagliano: No.

I met Mr. Gustavson. He came to see me to convince me that the postal service was an essential service and that we should withdraw the right of its employees to strike.

I stated categorically that there was consultation two years ago on the Canada Labour Code. It was made very clear that this was an issue. The workers of Canada Post have the right to strike, but I also indicated that, as a government, we have a responsibility to look after the national interest. We hoped that there would be a negotiated settlement. However, if there were to be a strike, we would look at the situation. If the national interest indicated that we would have to intervene, the government would make a decision at that time. I never indicated how long the strike would run before the government would legislate if, indeed, it did.

Senator Kinsella: As the minister for Canada Post, when did you conclude that there had been a breakdown in the labour negotiations between CUPW and the postal service?

Mr. Gagliano: During the last month and a half there were high and low periods. There was a period when I thought we were close to a settlement but, all of a sudden, talks broke down. There were days when I thought we could reach an agreement, and there were days when talks were not going anywhere, according to my report. I did not intervene directly in the negotiation. However, I was in touch with the chairman of the board to find out how things were proceeding and what was the possibility of a negotiated settlement. I always told Canada Post officials that the best settlement would have been a negotiated settlement. We hoped for that until the last minute.

Senator Kinsella: Approximately when did you advise the government that they should start preparing back-to-work legislation or prepare contingency plans?

Mr. Gagliano: That report came from the Minister of Labour. He had us mediate a report. That is when we all found out that there was no hope. We were already into the eleventh or twelfth day of the strike.

Senator Kinsella: Were you aware of the wage offer tabled by Canada Post on November 24?

• (1650)

Mr. Gagliano: Yes. I was informed before the strike that, in order to negotiate a settlement and avoid a strike, Canada Post officials made an offer. At that point, I was receiving reports that a settlement was possible. Unfortunately, at the end of the evening, everything collapsed, and the union refused the package that was made for the sole purpose of avoiding a strike and having a settlement.

Senator Kinsella: Clause 12 of the bill will legislate a lower wage package than what was put on the table by the corporation on November 24. Did you advise your colleague the Minister of Labour to make a lower offer than what the corporation had made?

Mr. Gagliano: I did not advise him. The Minister of Labour took his decision. I indicated that the offer was made with the firm intention to settle and not to have a strike. After going into a strike situation, Canada Post would suffer heavy financial losses. Therefore, I felt it was not fair for Canada Post to reinstate the same offer after a dozen days of strike action in which a loss of over \$12 million was suffered.

Senator Kelly: May I ask a supplementary to the question just asked?

The Chairman: I will add your name to the list, senator.

Senator Tkachuk: It is all right with me if the senator wishes to ask a supplementary question of the minister now.

The Chairman: As chairman, I hesitate to get into supplementary questions because they often lead to other supplementary questions and take us off the beaten path. I prefer to stick to the list.

Senator Tkachuk: I will follow up on Senator Kinsella's question. You said that the settlement was a little lower than the last one offered because of the losses suffered by Canada Post. Were you exacting punishment? Was this a punitive measure because they went on strike and, therefore, the blame was entirely theirs, not management's?

Mr. Gagliano: No. The wages that are indicated in the bill are a matter of government policy. They are there to ensure that an inflationary factor is not triggered, especially when there are other negotiations going on in the public sector.

Senator Tkachuk: To which salary proposal are you referring as the one that is inflationary, sir, the one that was offered by Canada Post prior to the legislation being introduced or the one that is in the legislation?

Mr. Gagliano: The reason Canada Post made that offer was to avoid a strike. When the government drafted the bill, it included the figure of 1.9 per cent and not the 2 per cent. This was government policy so as not to trigger inflation. It reflects the average of the industrial index that is made public every month by Statistics Canada.

Senator Tkachuk: Are you saying that it would have been triggered by the offer but not by the imposed settlement?

Mr. Gagliano: Yes.

Senator Tkachuk: Did you see the offer before it was made? Was it made without your authority and, therefore, you did not know it was inflationary?

Mr. Gagliano: The offer was made without my authority. I said from the beginning that I would not get involved in the details of the negotiation. That was Canada Post's offer. I was informed after that offer was made and it was rejected by the union.

Senator Tkachuk: We know that the workers went on strike. Therefore, they have suffered. They have paid the price because they did not receive their salaries.

You very clearly told Senator Kinsella that the lower offer by Canada Post made on behalf of the Government of Canada in the legislation was made because of the losses that were suffered by Canada Post and it was, therefore, a little bit less than that which was offered earlier.

How will you make the management pay, for example, the chairman of the board, for their role in this particular process?

Mr. Gagliano: With all due respect, I did not say that this was done to penalize anyone. I said that that offer was made prior to the strike.

Senator Oliver: That is not what you said.

Mr. Gagliano: Being made prior to the strike, it was made to avoid a strike.

Senator Oliver: No.

Mr. Gagliano: However, the union rejected it and there was a strike. In its legislation, the government put in place a wage which reflects, first, the industrial index.

Senator Oliver: That is not your evidence.

Mr. Gagliano: It also reflects the government's policy on wage negotiations with other sectors of the public service.

Senator Tkachuk: Perhaps we can have your answer read back to us after I ask a few more questions. I know that is not what you said.

Senator Oliver: He said it was because of the losses at Canada Post. That is what he said. That is not the reason. So you punished them under clause 12.

Mr. Gagliano: The offer was made to avoid a strike and to avoid a loss. Once you are on strike there is definitely a loss. Canada Post is losing approximately \$17 million per day. That is what I said. It was not meant to be punitive to any one. I am not in the business of being punitive.

Senator Oliver: However, it was punitive.

Senator Tkachuk: We discussed with the Minister of Labour the meeting that you had with John Gustavson of the Canadian Direct Marketing Association. It was stated that Mr. Gustavson believed that you had indicated to him that there would be an end to the strike within seven days. Are you saying that you did not say that?

Mr. Gagliano: No.

Senator Tkachuk: Did you not give him any indication of that? Was he living in dreamland somewhere?

Mr. Gagliano: He might have interpreted my proposal in that way. I said that the members of the union, the workers at Canada Post, have the right to strike and that they will exercise that right if they wish. I believe that was in the month of August. I do not think we knew at that time whether or not there would be a strike. I said that if there is a strike, the government will take its responsibility for the national interest. I did not indicate any length of time or how long it would last. I indicated that, yes, as a government, we would be responsible and take our responsibility.

Senator Tkachuk: Before this meeting with all these people, did you consult with the Minister of Labour on this matter?

Mr. Gagliano: No.

Senator Tkachuk: Were you speaking on behalf of the government to these people or on behalf of yourself?

Mr. Gagliano: I was speaking as minister responsible for Canada Post. They were coming to see me as minister responsible for Canada Post.

Senator Tkachuk: As minister responsible for Canada Post, are you the one who would initiate back-to-work legislation?

Mr. Gagliano: No.

Senator Tkachuk: What would be the national interest, then, that would cause you to think that they would be legislated back to work?

Mr. Gagliano: I said that the government will take its responsibility and look at the national interest. That is what the government did. It took its responsibility so many days after all the conciliation attempts, the arbitration and the mediation.

Senator Tkachuk: Would you tell me how much the chairman of the board of Canada Post makes?

Mr. Gagliano: It is an Order-in-Council appointment. I do not know the exact figure, but I can provide it to you.

Senator Tkachuk: Can you have someone get that information for us now so that we can have it before we leave here? I should like to know what it is.

Mr. Gagliano: It is an appointment made by Order in Council. I will have to obtain that figure. I will get it to you as soon as possible. I cannot guarantee that I can get it at this time.

Senator Tkachuk: I would like to ask about the other board members. What are the salaries of the other board members of Canada Post? Do they get paid on a daily or a yearly basis?

Mr. Gagliano: Again, those are Order-in-Council appointments. I believe they are paid every time they meet.

• (1700)

Senator Tkachuk: Do you know what they are paid?

Mr. Gagliano: Not exactly, because there is a bracket.

Senator Tkachuk: Can you give us an approximate figure?

Mr. Gagliano: It depends on the number of meetings. I believe they receive between \$100 and \$200.

Senator Tkachuk: Does your deputy know the answer to that question?

Mr. Gagliano: Again, I do not set those salaries. It is done by Order in Council by the Privy Council, and I can ask the Privy Council for details.

Senator Tkachuk: I hope officials from the Privy Council are listening and will bring those figure forward. Do you know what the president makes?

Mr. Gagliano: No.

Senator Tkachuk: How would you know, then, what is inflationary and what is not?

Mr. Gagliano: As I said, we rely on indicators found in the material compiled by Statistics Canada, the inflation rate, and the labour index. All of those are factored in. For a few years now, we have experienced one of the lowest inflation rates ever. Our economic system works better, and we want to ensure, as a government, that inflation remains low.

Senator Phillips: I should like to follow up on the question raised by Senator Kinsella concerning responsibility for this corporation.

I have a publication called *The Future of the Canada Post Corporation* prepared by Mr. George Radwanski published in 1966. In chapter 6, on page 63, he discusses the board and the minister's responsibility. He states that the effect of being supervised by so many authorities has often been that the corporation is meaningfully supervised by no one.

Would you agree with Mr. Radwanski's statement?

Mr. Gagliano: Mr. Radwanski wrote a lengthy report, in which he covered many issues.

The government analyzed the report and drew some conclusions which gave a mandate to Canada Post to be commercial and operate in a fair manner. We also gave the corporation a mandate to freeze the increase of the price of stamps for two years. After those two years, they must keep any increases below inflation, continue to be viable and make a profit

so that not only they can pay fair wages but also continue to operate and invest in new technology and assure Canadians that a universal postal service is in place for Canadians. We also said they could not close any more rural post offices. We also said that Canada Post should not be involved in non-addressed mail. Those were our responses as a government to the Radwanski report.

Senator Phillips: Mr. Radwanski states that the corporation is currently beyond any effective control by the government. It leaves me rather puzzled as to how you can give all those directives if it is beyond the control of the government.

You said that the post office was expected to be profitable. What is the amount of profit you are demanding this year?

Mr. Gagliano: Subsequent to the new mandate, the government asked Canada Post to prepare a five-year plan, ensuring that the mandate is respected. Because of the labour negotiations, that five-year plan has not been completed. Therefore, I cannot tell you the exact amount of profit. Since 63 per cent of Canada Post's costs are labour, the labour settlement has an impact on that five-year plan. However, we made it clear that we want Canada Post to operate commercially. Therefore, it must make a return.

If this legislation passes within the nine-day period, whether as a settlement or as an imposed settlement, we will then know the cost, and we hope to have a five-year business plan as soon as possible so that we can assess whether the mandate the government gave to Canada Post is being implemented in the way the government wants it to be implemented.

Senator Phillips: Do you operate in much the same manner as Sheila Copps? Minister Copps has responsibility for the CBC, but I do not think she issued a directive to the CBC indicating that the must show a profit, did she? I am curious to know why the Minister of Public Works and Government Services is asking the post office to show a profit when Ms Copps is not asking the CBC to do so.

Mr. Gagliano: Senator, may I say that it is not the Minister of Public Works who is asking Canada Post to produce a profit; it is the Government of Canada. This was a government decision after the review by Mr. Radwanski, and you quoted from the report. After that review, the government took a decision, and that is the mandate to Canada Post. As minister responsible for Canada Post representing the shareholders of Canada Post, that is, the Government of Canada and the Canadian taxpayer, my responsibility is to ensure that that mandate is implemented. We are waiting for that five-year plan to ensure that the Canada Post administration took the necessary steps to achieve that plan.

Senator Phillips: Before posing my next question, I would suggest to the minister that, by his frequent statements on the post office, he is making Ms Copps appear like a saint, and that is a very difficult job.

I asked the Minister of Labour about compensation for those who have been financially damaged by the strike, and not only the strike but also the turbulence that existed in the post office for at least a month before the strike. Does the government have any plans to compensate those victims?

Mr. Gagliano: Not to my knowledge.

Senator Phillips: Would you be prepared to recommend to the government, as the minister responsible, that businesses and charities that have been severely damaged by this strike receive some compensation?

• (1710)

Mr. Gagliano: Senator, we have in this country a collective bargaining process. The employees have the right to strike. Parliament gave them that right. I cannot see how the government should compensate people who have some financial loss because of a strike. There are other strikes. We cannot compensate for every strike. This is the law of the land.

Let me remind you, senator, that 94 per cent of the labour disputes have been settled without strike. It is unfortunate that in the past couple of weeks, or the last month, small businesses, charities and individuals have lost their jobs and suffered losses in their businesses, but again, the Parliament of Canada has passed a law where there is free collective bargaining and the right to strike, and I respect that right. It is unfortunate but that is the way we live in Canada. That is what freedom is all about.

Senator Phillips: I respect the right to strike, but as I told the Minister of Labour, I find there has been a great deal of callous indifference and callous incompetence which has caused these people to suffer financially. I hope you will reconsider your position. Thank you, Mr. Minister.

Senator Stratton: Minister, thank you for attending. When I asked Minister MacAulay the following question, he assured us that you would have the answer. I will ask it anyway, even though you have told us what the answer is. Can the minister assure us that André Ouellet, Chairman of Canada Post, will not receive a salary increase, including bonuses, in excess of those spelled out in the legislation for Canada Post's unionized employees?

Mr. Gagliano: I believe that the appointment of the chairman of the board of Canada Post is made by an Order in Council. The level of salaries are determined therein, and there is no disposition that I know of that he will get a salary increase.

Senator Stratton: You have no assurance to give to the Canada Post employees that he will not receive an increase. He could possibly receive an increase. Is that what you are saying?

Mr. Gagliano: From what I know today as to the way the rules are set, there is no plan for an increase. The government can always change an Order in Council, but under the present Order in Council, there is no increase provision. That is my honest answer.

Senator Stratton: You are assuming that if the civil service receives an increase in salary when the wage freeze comes off in the new year, the chairman will not receive an increase?

Mr. Gagliano: Yes, because he is not part of the public service.

Senator Stratton: I understand that, sir.

Mr. Gagliano: It is an Order in Council appointment, and in order to give him an increase, we would have to change the Order in Council.

Senator Stratton: My question is: Has the chairman's salary been frozen as long as the salaries of civil service employees?

Mr. Gagliano: As far as I know, there is no change in that Order in Council appointment and the range of the salary is established in there.

Senator Stratton: So you are not able to answer the question?

Mr. Gagliano: I am answering the question to the best of my knowledge. There is an Order in Council.

Senator Stratton: I understand the Order in Council. You are responsible for the Post Office. You are responsible for the chairman. You should know the salary of that chairman, and also what the history of his wage increases or salary increases and bonuses has been over the course of the last six or seven years. You give him a performance rating, I am sure. Would you not know what his salary has been over the last six years?

Mr. Gagliano: I have just been handed a document that says that the salary range for the chairman of the board of directors is between \$128,000 and \$160,000, but I do not know exactly what the salary is. That is an Order in Council appointment, and those figures do not change unless the Order in Council changes.

Senator Stratton: The salary increase mandated in this bill is 5.15 per cent over three years. What does this mean to the average postal worker? Is it \$1,000 over three years, or \$500? Do you have any statistics or knowledge of what that would be?

Mr. Gagliano: I will see if my official has any statistics. I do not have any statistics on hand and I would not like to give you the wrong figure.

Senator Stratton: Do you know what the average salary is of a postal worker?

Mr. Gagliano: I can say, senator, that the base hourly rate is \$17.41, and then there is overtime.

Senator Stratton: I understand. So is it \$17.41 average?

Mr. Gagliano: Yes. If we add the other premiums, overtime payments, benefit packages and so on, I think the total compensation per hour is about \$22.38.

Senator Stratton: Roughly \$22, so about \$40,000 or \$45,000 per year. My question then is: If he gets a 5.5-per-cent increase over three years, he would get around \$2500? I am just asking for a rough figure. "Yes" or "no?"

Mr. Gagliano: I will not argue with the figure. Yes. It is about that.

Senator Stratton: That is about right. If the chairman receives a similar salary increase — and I would assume that the postal workers would want to be informed of this — even at the low end, then he would get 5 per cent of \$128,000. That is a fair chunk of dough for that man.

Mr. Gagliano: I did not say he would receive a salary increase.

Senator Stratton: I am taking the opportunity to say that he will. If you look at that in comparison to what the average worker gets, that is a pretty large disparity. What we need to know from you, the minister responsible for Canada Post, is that this chairman will not receive a percentage increase equal to what the postal worker will receive under this legislation.

Mr. Gagliano: Again, this is an Order-in-Council appointment, and as far as I know today, there is no plan to give him any increase. I do not know how I can make it clearer.

Senator Stratton: I perceive from what you have said that you can give us no assurance that you will be fair and equitable to the postal worker.

Mr. Gagliano: Of course I will be fair.

Senator Stratton: You are saying to me that there is no guarantee that the chairman will not receive an increase that would be disproportionate to what the worker gets.

Mr. Gagliano: To be fair, senator, this is an appointment by Order in Council. Order-in-Council appointments are made by the government, not just by one minister.

Senator Stratton: Thank you.

Senator Oliver: I have two questions. They relate to two clauses in the back-to-work legislation: clauses 12 and 17.

• (1720)

The Minister of Labour told us earlier today that there is no precedent that he knows of for clause 12 in back-to-work legislation. The Minister of Labour indicated that clause 12 deals with rates and the time. It says:

The collective agreement shall also be deemed to be amended by increasing the rates...

It goes on to set the rates over the next three-year period.

This clause does not support the collective bargaining process. If you, the government, will not support the collective bargaining process as indicated by the wage condition in clause 12 of this back-to-work legislation, why not just take the opportunity to declare Canada Post an essential service and take away the right to strike?

Mr. Gagliano: I have already said that the government decided to legislate wage increases to ensure that an inflation spiral will not occur.

Senator Oliver: What is the role of an arbitrator-mediator then? Is that not what they normally do?

Mr. Gagliano: If you will allow me to respond, the issues in this dispute involve not only wages. There are issues on work organization, mail routes, inside workers. The mediator will have a large and important role in solving this dispute. The government legislated wages because we have worked very hard in past years to put our financial house in order. Therefore, we want to ensure that the inflation spiral does not come again.

Let me also say that the Government of Canada, in giving Canada Post its new mandate, freezes the price of Canada Post stamps for two years. After two years, price increases must be below the inflation rate. The government has acted fairly in my opinion.

Senator Oliver: In your experience, has a mediator-arbitrator ever been able to successfully negotiate a wage increase that kept in mind the government's guidelines with respect to inflation?

Mr. Gagliano: I do not have the statistics in my hand with which to answer.

Senator Oliver: I said "within your experience."

Mr. Gagliano: I have no recollection.

Senator Oliver: Is it your view, therefore, that mediator-arbitrators, when appointed to look into disputes such as this, do not have the competence to set wages within inflationary guidelines?

Mr. Gagliano: They have great competence. We have very competent people in Canada, and I am sure the Minister of Labour will appoint one of the best.

Senator Oliver: Notwithstanding that competence, you felt you still must put in a clause like clause 12?

Mr. Gagliano: It is for the same reason that we told Canada Post: Do not increase the price of stamps until two years have passed and then increase within inflation rates.

We wanted to ensure that the inflation spiral and wage increases reflect that. The government took its responsibility very seriously.

Senator Oliver: You told Senator Kinsella that you are the Minister responsible for Canada Post and you described to him your jurisdiction and duties and obligations.

Canada Post employees have indicated that it is their intention to disrupt business. They have done so at airports in Toronto and Halifax. How do you intend to stop these disruptions if they occur on workers' own time?

Clause 17, we were told by the Minister of Labour, is there to get the workers back to work. As you know, that clause states:

(1) An individual who contravenes any provision of this Act is guilty of an offence punishable on summary conviction...

What contingency plan do you have to ensure that these types of disruptions do not occur should this bill pass?

Mr. Gagliano: First, I believe that Canadians are responsible and have respect for the law.

Senator Oliver: Have you read the newspapers?

Mr. Gagliano: We will have to wait and see. I believe that Canadian postal workers are responsible people and that they will go back and deliver the mail. The bill has some provisions. I do not believe any people, including union leaders, are above the law. If this bill becomes law, I hope they will respect the law. If they do not, then we have a judicial system in the country which will follow its course.

Senator Oliver: What is your contingency plan in the event that the threats that we have read about in the paper do in fact take place? What is your plan?

Mr. Gagliano: My plan, as a minister, as part of the government, is to respect the law. I believe the management of Canada Post will ensure that Canada Post property is protected, that the mail is delivered and that the workplace functions normally. We do not expect violence. We believe Canadians are responsible people and law-abiding citizens. I am sure Canada Post workers will do the right thing.

Senator Oliver: So you have no plan?

Mr. Gagliano: As I said, I do not run the post office.

Senator Oliver: You described your duties to Senator Kinsella.

Mr. Gagliano: I represent the department. The Parliament of Canada, sir, decided in 1981 that Canada Post should not be an agency of the government but a Crown corporation. I am representing the Government of Canada and the shareholders. I do not get involved in the daily tasks. I do not supervise the daily operation. We appoint a board of directors. They appoint managers. I am sure they have the necessary plan to cope with any situation.

Let me reassure you and repeat that I believe Canadians are law-abiding citizens. They will go back to work if the Parliament

of Canada decides to pass a law that requires that they go back to work, and they will respect the law.

Senator Oliver: Senator Phillips began to ask you questions about the number of Canadians who have been hurt by the lack of action on the part of current government. Small business has been hurt by this strike. Charities, cultural groups and many other groups have been hurt. Hundreds of millions of dollars have been lost as a result of inaction on the part of this government. What took so long and why are we just getting this bill now?

Mr. Gagliano: We believed that the collective bargaining process could work and we gave that process the opportunity to work. When we realized there was no possibility that the two parties would sign a collective agreement, we intervened.

The facts are there. Government gave the process time to work, but, after a while, we had to look at the national interest. Small businesses and charities were losing money. People were losing their jobs because of that. We are not happy to take away the right to strike and send people back to work. We had no choice.

Senator Oliver: You have been working on this for more than four months. You know how important the month of December is for charity groups, cultural groups and people who want to get stuff through the mail, through Canada Post. With that knowledge, why did you take so long? Why did you dilly-dally before taking substantive action?

Mr. Gagliano: Again, I repeat, we have a collective bargaining process that works approximately 95 per cent of the time. Most labour disagreements are settled without striking. We hoped that would happen again, and we gave the process a chance to work. The Minister of Labour used all his powers according to the labour code to appoint a mediator, a conciliator. Unfortunately, it did not work. When we realized there was nothing more we could do, the Minister of Labour introduced the legislation. The House of Commons went through all the stages in one day, and here we are today.

• (1730)

[Translation]

Senator Nolin: Could you tell us about the collective agreement which is no longer in effect?

Mr. Gagliano: The collective agreement expired on July 31. It was in effect until the date of the strike.

Senator Nolin: I understand it was extended. The contract began when?

Mr. Gagliano: In 1995.

Senator Nolin: So it was a two-year contract. When you were invested with the responsibilities of the minister responsible for Canada Post, did you issue instructions to the corporation as to the conduct of these negotiations?

Mr. Gagliano: My only advice to the president of the corporation was that they do their best to arrive at a negotiated settlement. That is the best kind of agreement because the public does not have to suffer the consequences of a strike.

The president and the board of the Canada Post Corporation have to take into consideration the mandate they were given by the government in early May of 1997. The Canada Post Corporation therefore negotiated in good faith, in keeping with that mandate, in order to reach an agreement within the budget limitations set by the government.

Senator Nolin: So, if I understand correctly, you were appointed as the minister responsible for the corporation in June.

Mr. Gagliano: Yes

Senator Nolin: The collective agreement was already in effect at that time.

Mr. Gagliano: And the mandate as well.

Senator Nolin: So a mandate had already been given to the corporation by your predecessor. Are you aware of its content?

Mr. Gagliano: Yes.

Senator Nolin: And what was it?

Mr. Gagliano: My predecessor made the mandate public. First, we confirmed the moratorium on rural post office closings. We said that the corporation should freeze the price of stamps for the next two years and then increase it but at a level below the rate of inflation. We called for the corporation to be managed like a commercial enterprise.

Senator Nolin: But that was already part of the general mandate for the kind of relations the government and the preceding government wanted to establish: commercial relations. This intention is not new. What was the specific mandate for the collective bargaining process? You talk about keeping rural post offices open, and keeping postal rate increases below the rate of inflation. You must have reiterated this mandate when the new minister responsible addressed the corporation as a shareholder. What, more specifically, was the mandate for the collective bargaining process?

Mr. Gagliano: Another example of the mandate was that we stated very clearly that costs had to remain affordable and that the corporation should not use its monopoly to finance those of its activities that are in close competition with the private sector. That was important and was in the recommendations.

We also said that the corporation had to meet stricter financial requirements, which would put it on an equal footing with the private sector. In response to complaints from consumers and the public, we created the position of ombudsman this fall. The corporation has already responded to a number of government requests. Of course it still has to restore relations with its employees in order to cut costs and improve profits. That is part of the bargaining process, if you will.

We have repeated frequently, and I mentioned it in my introduction to you, that the union believes and already believed that the government has a hidden agenda to privatize the Canada Post Corporation.

Both my predecessors and myself reiterated that we had no intention of the sort. We want the Canada Post Corporation to remain profitable and to remain a Crown corporation to ensure universal service. It is our clearly stated mandate to provide universal postal services to all Canadians, wherever they live, from coast to coast. Within these limits, the corporation must accommodate labour costs representing 63 per cent of its total operating expenses.

Senator Nolin: Upon your appointment in June, I assume you confirmed this mandate.

Mr. Gagliano: I would like to point out, if I may, that my predecessor, as minister responsible for Canada Post, acting on behalf of the government, gave it this mandate, which I naturally do not have to either confirm or change. This is a mandate from the government. I continued to ensure this mandate was carried out.

Senator Nolin: If I am not mistaken, you were the Minister of Labour before becoming the Minister of Public Works and Government Services and Minister responsible for the Canada Post Corporation. It is also common knowledge across Canada that labour relations at Canada Post are sometimes strained. You may say this is no longer your responsibility, but I will put the question to you anyway. As I understand it, bargaining started in April 1997. After the report to which my honourable colleagues referred to earlier was released, it was to be expected that the road ahead would be rough. In your opinion as former minister of labour, could it already be anticipated that this round of negotiations would degenerate into a confrontation, leading to the sad conclusion we are not witnessing?

Mr. Gagliano: As Minister of Labour at the time, I met with union officials who had concerns about the content of the report. The union still has this fear of privatization. When I was appointed Minister responsible for the Canada Post Corporation during the summer, I met with them. Naturally, we had discussions, and I reiterated that we had no intention of privatizing the corporation and that the mandate it was given was firm.

• (1740)

If you look at this mandate and the bargaining that has taken place since April, it is clear that the corporation never gave its employees the assurance that no jobs would be lost. Job security is a very rare thing nowadays, even in government. This is very important. All this to say that they were worried, but we do believe that, in spite of everything, there is still room to manoeuvre. The corporation needs flexibility, not to lay people off but to increase its competitiveness and productivity while at the same time giving some guarantees to its employees. The negotiation process should reflect this flexibility to meet the government's mandate.

Senator Nolin: In your opinion, does Bill C-24 comply with the major principles stated in the Canada Labour Code?

Mr. Gagliano: I doubt there is one labour minister in the world who likes to introduce a bill whose purpose is to remove the right to strike of workers and force them back to work. Circumstances are such that, if I were the labour minister, I would obviously have had to make the same decision. Overall, and under the circumstances, Bill C-24 does comply with the spirit of the labour code. The government has a responsibility to protect the national interest.

I would like to point out a new element. There have been a number of postal strikes over the years but, for the first time ever, no replacement workers were used during a postal strike.

A while ago, I met business and union officials and I told them very clearly that if the union decided to go on strike, then there would be a strike. The labour code gives the right to strike. Therefore, union members must be allowed to exercise their right. However, we have a responsibility to protect the national interest. But, for the first time, no replacement workers were used. The corporation respected the right of its employees to strike, and it let them exercise this right without replacing them with colleagues or other workers while they were on the picket lines.

I feel this goes further than what is provided in the Canada Labour Code, which you and I, who are both from Quebec, know very well.

Senator Nolin: Indeed, we know the Quebec laws well.

Mr. Gagliano: So, this is something new. I was hoping it would give good results. Unfortunately, it was not the case.

Senator Nolin: When did you issue the directive enjoining Canada Post not to use replacement workers during the strike?

Mr. Gagliano: That was this summer when I met the various groups including union representatives and business people.

Senator Nolin: In June?

Mr. Gagliano: I do not remember exactly; I would say July or August. I said that the right to strike exists and that we had to respect that right.

Senator Nolin: Therefore, at that time, the possibility of a strike was very real in the minds of the negotiating parties?

Mr. Gagliano: Considering the state of labour relations at Canada Post, such a possibility is always present. However, in 1995, my predecessor at Canada Post succeeded in signing a negotiated settlement; so we thought that it would be difficult, but possible.

Senator Nolin: Mr. Minister, we have no doubt that this legislation will force the postal workers back to work,

considering the fines they would have to pay. However, we have to recognize that labour relations remain strained. As the minister responsible, what initiatives are you going to take to normalize labour relations at Canada Post?

Mr. Gagliano: I realize that back-to-work legislation can create a tense climate. I said it yesterday in the House and I repeat it here: I intend to meet the parties, that is Canada Post management and the union, as soon as possible to find solutions and implement mechanisms so that, after the three-year agreement provided for in this bill, we can once again enjoy harmonious labour relations and find a way to protect the rights of workers so we will not have to go through a strike every four or five years where people are losing their jobs and where small- and medium-sized businesses and the Canadian economy are losing millions of dollars.

As minister, I am determined to address these issues. I have had discussions with the president of the Canada Post Corporation and we will work together to find ways to solve all these problems once and for all.

I had the opportunity to represent Canada Post at an international meeting of ministers responsible for postal operations, and there is no doubt that our corporation is one of the best in the world. If we can solve these labour relations problems, all Canadians will have a reason to be proud of this corporation, this postal system; indeed, people from other countries have congratulated us on our progress over the last 15 years.

Senator Bolduc: Mr. Minister, in this conflict, the wage increases offered by Canada Post were higher than those provided for in the bill. So the employees will be paying. So there is a cost to be paid by the employees. Members of the public are also being penalized because they are not receiving their mail, and this is causing concerns for everyone, including voluntary organizations, individuals, business, and especially small business. Do you intend to take measures aimed at Canada Post management? We are told that the government is basing salaries on performance, but in this case, performance has not been great. So do you intend to review the salaries of Canada Post officials and especially its board members?

Mr. Gagliano: First of all, I would like to say that it was not the government that made the offer you are referring to. It was the corporation that made it as a final offer, to avoid a strike. The government put rates of pay consistent with the government salary policy in the legislation. I find it regrettable for everyone, not just for the minister, but for all officers of the corporation. The members of the board of directors are appointed by the Governor in Council; it is their responsibility to administer; there are officers who take their orders from them, but who run the corporation on a day-to-day basis. We do an annual appraisal of all our directors. This appraisal will be done and if disciplinary measures are in order or performance appraisals need to be reviewed, I will assume my responsibilities.

I would like to reassure you, however. This is about more than negotiating a collective agreement. The government gave one of its corporations, in this case the Canada Post Corporation, the mandate of becoming more competitive and managing its revenues from stamps, 50 per cent of its revenues. In addition, its mandate requires it to act as a commercial corporation, so that is what it must do, because part of its business is in close competition with the private sector. The corporation has been given quite a broad mandate, with very serious constraints, and I am going to judge them on that mandate. My role, as the minister, is to assess whether directors have met the government's mandate. Of course, this mandate was on the bargaining table. So, to reply to your question, I must take the mandate into account and judge on that basis.

• (1750)

Senator Roberge: Mr. Minister, you said earlier that you had met the president of the corporation, Mr. Clermont, and the chairman of the board, Mr. Ouellet. Have you met with the board?

Mr. Gagliano: Yes, once this autumn at one of the meetings in Ottawa.

Senator Roberge: During the recent negotiations?

Mr. Gagliano: No, I think it was late in August or early in September.

Senator Roberge: In what context?

Mr. Gagliano: In a general context as a new minister meeting the board. We discussed the corporation's major issues, the negotiations, the mandate.

Senator Roberge: What, in your opinion, is the role of the board?

Mr. Gagliano: Like any agency, any corporation, its roles are to review the business plan and give directives and mandates to the management and operating committees. To date, that role has been performed well.

Senator Roberge: One of the minister's functions being to advise the executive, do you not think it would have been appropriate, in the current context of the probable deadline, for the minister responsible for the Canada Post Corporation to meet with the board of directors to give or receive advice?

Mr. Gagliano: As the minister responsible for the Canada Post Corporation, I am answerable to the government. The government had given a mandate to the Canada Post Corporation. I discussed the mandate and the negotiations when we met at the end of August and the beginning of September. The situation is unchanged. The government has neither changed nor withdrawn the mandate. It is my duty as a minister to tell the executive of Canada Post to try to reach a settlement without a strike, but within the mandate received.

Senator Roberge: I understand, but negotiations are a constantly changing thing. It seems to me that, if I were the minister responsible for the post office, I would go and sit down with the board in order to listen to what they had to say, not just with the chairman of the board or the president of the corporation.

[English]

You also said earlier that at one point you were very close to a deal. What were the outstanding points, as you got close, that led to to a decision to prepare this bill?

Mr. Gagliano: One of the outstanding points related to wages. I think you heard about this because everything was reported to the media. The last offer from Canada Post was 1.5 per cent, 1.75 per cent, I believe, and 2 per cent. The union's demand was still 3 per cent plus inflation, so they were talking about 5 per cent a year. Canada Post could not accept that.

Canada Post asked the union to accept that their members, on a voluntary basis, request or accept early retirement. It was voluntary. No one would be forced. Those who would like to take early retirement would have that opportunity.

Everyone talks about the question of mail delivery and lunches. The collective agreement — and I should have brought it with me — is longer than the Canadian Income Tax Act. It states very clearly that you have to pay for a certain amount of time — I believe somewhere between 15 and 20 minutes — so that the letter carrier can come back to the post office for lunch, and then go back out to his or her route. Canada Post says that that does not make sense today. The offered to pay the car expenses of those who own a car if they continue their route without coming back to the office. That would have saved Canada Post about \$8 million. Those were the items.

Again, the union was not making any concessions because it feared that the concessions would help the government privatize Canada Post. For the last month they were only changing text, but nothing concrete happened. The Minister of Labour had to realize that the failed negotiations meant that he had to introduce back-to-work legislation.

Senator Roberge: You mentioned the issue of routing, which affects the lunch break, and you have talked to me about wages. Were there any other items outstanding at the time that you prepared this bill?

Mr. Gagliano: There were many items. As I said, the collective agreement is so long and complex that it looks like the Income Tax Act.

I will try to answer the question in the best way that I can. I would, however, remind you that I was not at the negotiating table. From a distance, I received reports about what was happening. I was saying that the best way was to settle. The strike was costly, and we had to make concessions.

In the end, in the last hours, Canada Post made the wage offer that everyone knows about. There were three or four items. They wanted an agreement on that and the rest, and then they could move on.

There was also a period where Canada Post offered to have a permanent negotiating committee for the next three years to address all these technical issues. You cannot change 300 pages of a collective agreement in one negotiation.

Senator Roberge: I agree with what you say. I think it makes a lot of sense. I was trying to find how many points were left on the table.

Mr. Gagliano: Those were the issues. The four major issues were moving employees from one post to the other, the mail delivery route, voluntary early retirement, and wages. Those issues touched a lot of sections and subsections. When Canada Post put those four issues on the table, I thought there was the basis for an agreement but, unfortunately, it did not work out in that way.

Senator Roberge: There were those four issues, plus many jobs as well. If there were so many outstanding items, why were you sure that you were so close to a deal? Could you explain that to us?

Mr. Gagliano: That is what I was saying. Those were the four items.

Senator Roberge: Can you explain how close you were to a deal? You said to us before that you were close to a deal. It was up and down. Now you say there were four major points plus a lot of other small points. That testimony does not seem to jibe.

Mr. Gagliano: Again, I was not at the table to judge exactly. I was told that when those four points were made, there was hope that there could be some concessions. However, when they got to the financial aspect of wages, that is when the hope was no longer there.

The Chairman: Honourable senators, I have no choice but to indicate that it is now six o'clock. Pursuant to rule 13(1) of the *Rules of the Senate*, I will have to leave the Chair until eight o'clock this evening unless, of course, there are developments of which I am not aware.

Senator Carstairs: There is agreement of both parties that we will not see the clock.

The Chairman: Is that agreed, honourable senators?

Hon. Senators: Agreed.

• (1800)

Senator Sparrow: The discussion today, and this legislation, lead me to believe that the postal service is considered an essential service, although that has not been explained entirely. It

is an essential service but it is a service that is not open to competition — at least in the financial sense. Could the national interest be served better by removing the exclusive privilege of the corporation in its movement of first class mail? As everyone is aware, private companies must charge at least three times the rate of a first class letter to compete. If it were further opened up to greater competition then it would no longer be required as an essential service because the competition could handle the mail.

Before this legislation was proposed, was consideration given to removing that special, exclusive privilege of the Canada Post Corporation?

Mr. Gagliano: This issue is a very complex one. Unfortunately, every time there is a postal strike we raise this issue, but once everything goes back to normal, we forget about it.

I can assure you that I intend to follow this up. As I said before, if this bill passes, I want to work with labour, with management and with experts to find a solution. We have a lot of expertise across this country and we must find a solution to this problem.

As it stands right now, there is a monopoly privilege. However, it is not the same as it was in the past. The monopoly does not represent 100 per cent of the businesses served by Canada Post, it represents approximately 55 per cent, and 45 per cent is in direct competition with the free market. We must ask how we can give that right to strike while being part of a monopoly situation.

You raise an important question, namely, by taking away that monopoly right from the Canada Post Corporation can we be assured of a universal postal service where Canadians, no matter where they live — that is, whether it be in the north, in the east, in the west or in the rural or the urban parts of this country — will receive the same service at the same prices. I assure you that it is easy to organize a postal service in Montreal, Toronto, Vancouver, Winnipeg or Calgary, but for parts of the country it is very costly to do so. As Canadians, we decided that we wanted to have a universal service. I do not have a specific solution to this problem.

Our modern society, taking into account our mandate, must ask ourselves: How can we ensure not only that workers have the right to collective bargaining but also that Canadians have a minimum level of service?

Although we failed to reach a negotiated settlement, we were able to have what I call a “civilized” strike — that is, one where there was no violence on picket lines as has occurred in the past.

Another thing that happened during this strike which is very interesting — and, I hope we can build on that — is that there was an agreement between management and the union to deliver cheques to seniors, pensioners, and people in need.

We must put all this on the table and ask all the questions that are necessary in order to solve this problem. I hope that before the terms of the next labour agreement expire we will be able to ensure that Canadians do not have to go through any more postal strikes as we have experienced in this country in the past — that is, a total shut-down of the system. That is costly to individuals, to corporations, and to everyone in our society.

Unfortunately, I do not have an answer. I am aware of the problems and, as the minister responsible, I intend to address that as soon as possible.

Senator Sparrow: Thank you, Mr. Minister.

Approximately 45 per cent or 48 per cent of the total movement of parcels and mail is now handled by the private sector. There have been few complaints about the level of service provided on the free enterprise system. Increased competition has not greatly affected the profits of the corporation. It has not been detrimental. As you have said, it may not be very detrimental to consider allowing private corporations to deliver these items.

Since the last legislated settlement in 1991, the post office guaranteed mail delivery anywhere in the country within 48 hours. From major centres, first class mail delivery was guaranteed within 24 hours. Since that time, the post office have stopped making that commitment because they found that they could not honour it. The general consensus now is that they can deliver a first class letter in a minimum of five days. However, many times it takes seven or eight days. At the same time, the price of postage has gone up 50 per cent since the last imposed settlement. Why has the service faded so badly while the price of postage has risen?

Mr. Gagliano: I have here the standards for mail delivery. There may be some cases where the delivery time is longer. We handle it on a case-by-case basis where it takes longer than the standards. Presently, those standards are audited by an auditing firm.

The standards established in 1986 are two business days within the same urban centre, three business days between urban centres in the same province, and four business days between urban centres in different provinces. The auditor, Ernst & Young, has said that those delivery standards are met consistently in 97 per cent of the cases.

Canada Post recently completed a pilot project and has announced that it will be implementing it on a permanent basis. I am sure you are aware of instances where people who live in a small town have sent their letters to a larger city, where it is processed and it is then returned to that small town. Canada Post has changed that process. Now mail from small rural centres must be sorted twice. The mail that remains in the town stays sorted there overnight and is delivered by the local post office; whatever is for outside, is delivered there and processed there.

• (1810)

Some progress is being made. We hope that Canada Post can continue in this vein. They need some more flexibility so that they can adjust to the modern way of managing. Naturally, as a government, we want them to manage as though it were a commercially viable business.

We are making progress. The standards are there. If we can make the necessary changes in organizing how the work is done, then I think the service can be improved and the length of time for mail to be delivered could be shorter. For example, right now, the collective agreement does not allow workers to be moved easily from one post office to another. There has to be a consultation process with the union, and that might take weeks or months.

We have established an electronic system which we are selling to the rest of the world through our international branch. Everyone appreciates the technological developments that we have made. One is a mail-tracking system by which we can predict where higher volumes of mail will occur over the course of the next few days, in which area of the country and at which post office.

If we were able to move our workforce to answer that overflow, then we could give better service. We now have to hire others to do that work, as well as having to pay overtime.

That is what all this negotiation has been about. I admit that is very difficult. It is true that the legislation determines the wages, as well as the length of time. It is those issues which are at the heart of the negotiations. We hope the mediator will succeed in that regard.

Senator Sparrow: What minister of the Crown would have recommended to the government that legislation be imposed? Would it have been you as Minister of Public Works and Government Services or would it have been the Minister of Labour who recommended to your cabinet colleagues that this type of action be taken? Which department or minister would have recommended the wage settlement that is contained in this bill?

Mr. Gagliano: Senator, the Minister of Labour is responsible for the Canada Labour Code. As a matter of fact, I believe four or five days prior, the Minister of Labour appointed a mediator. He said that he had sent the best that we have in the country.

As was said before, I was once the Minister of Labour. I have worked with Mr. Edmondson, who is the best we have. He was sent to try to settle this matter and report back to the minister. The minister informed his colleagues in cabinet that he tried everything and that it was not possible to achieve a settlement. Therefore, to end the strike, we needed legislation. The legislation which is before you now is legislation for which the Minister of Labour is responsible.

Senator Sparrow: Are you saying that you had no input as to the recommended salary increases that would be legislated?

Mr. Gagliano: Again, as I said, the recommended salary was part of the government's salary policy from Treasury Board. That is what was put in the legislation.

Senator Murray: I would like to get a better idea of what the status of Canada Post is as a Crown corporation vis-à-vis its minister and the government. Most of us here are old enough to remember when the post office was a department of government like any other. There was a minister called the Postmaster General, a Deputy Postmaster General and a department. The minister took responsibility and replied on a daily basis in the House of Commons for the operations of the post office.

Then, early in the 1980s, I think it was, the government and Parliament in their wisdom decided to make Canada Post a Crown corporation. I think that was done in order to give Canada Post the flexibility and autonomy that were presumed necessary to enable it to carry on its business in a more competitive environment.

If I can believe the findings of Mr. Radwanski in his report to the government, we seem to have the worst of a number of possible worlds. The company now has a board of directors, a chairman, a president and vice-presidents and so on, like any other company, but it is subject also, not just to you as the minister responsible, but to Treasury Board, the Minister of Finance, the Crown corporations directorate and so forth. Mr. Radwanski finds that the effect of being supervised by so many authorities has often been that the corporation is meaningfully supervised by no one.

I have been at another committee meeting, so I would ask you to stop me, please, if this next paragraph has been read into the record already. I do not want to be any more repetitive than necessary.

Although Canada Post is owned by the government, operates on the strength of a monopoly granted by the government, and is perceived as a representative of the government in its dealing with Canadians, the corporation is currently beyond any effective control by the government.

I would like to get your view on that as minister. At the same time, I am trying to get a better understanding of just how it fits as a Crown corporation. Senator Phillips mentioned the relationship between CBC, Radio-Canada and their minister. I am not sure that analogy is quite on the mark. Perhaps it is.

To what other Crown corporation is Canada Post similar in terms of its relationship with the government?

Mr. Gagliano: The Canada Post Corporation is subject to legislation covering Crown corporations. You described very well the structure, senator.

In 1981, Parliament decided that the post office would not be a department or agency of the government in order that it could operate at arm's length. There are various types of corporations for which I am responsible, including Canada Post. There are about six Crown corporations. They have boards and they manage their affairs.

Canada Post, naturally, because of the nature of its business, which is to deliver the mail, which is how Canadians communicate, has a monopoly privilege. There are always complaints about the standard of service. In the 1980s, there was a debate about the rural postal service and super mailboxes. Canadians are proud of that service. That is why the government, I believe in 1995 or 1996, mandated a review to see exactly what was the government position and what kind of postal service Canadians wanted.

Senator Murray: For how long have you been the minister responsible for Canada Post?

Mr. Gagliano: Since June.

Senator Murray: Does the finding of Mr. Radwanski conform to your experience?

Mr. Gagliano: I do not agree with everything he said. It was a very interesting report. We studied the report and, last spring, the government took a decision as to what it thought was best for Canadians. It gave a new mandate to Canada Post. As the minister, my responsibility is to ensure that that mandate is being implemented.

Senator Murray: I just wonder what difference there is between you and the Postmaster General of 20 years ago. Just how long is the arm in terms of the arm's-length relationship between the government and Canada Post? You have the right, and this is why I think the analogy with the CBC and their minister does not quite fit.

• (1820)

Section 22 indicates that, in the exercise of its powers and the performance of its duties, the corporation shall comply with such directives as the minister may give to it. We know that the government has given Canada Post a directive to become profitable. What other directives has the government issued in last few years?

Mr. Gagliano: Not to close the rural post offices; to freeze the price of stamps for two years; to increase the price of stamps after those two years below the inflation rate; to create an ombudsman to receive claims or complaints and ensure that Canadians receive the right service and that Canadians can be heard; and, naturally, to be a profitable corporation.

Senator Murray: That is not much autonomy, is it, minister? I am not disagreeing, obviously, with the decision, but if you tell them not to close any more rural post offices and not to increase the postal rates for some time, you are into micro-management, and you have the right under the Act to do it. Then you tell them to be profitable. It really is not a highly autonomous Crown corporation. You would not compare it to Air Canada, when it was a Crown corporation, or to CNR, would you?

Mr. Gagliano: The Government of Canada, on behalf of Canadian taxpayers, is the shareholder. When you are a shareholder —

Senator Murray: You call the shots.

Mr. Gagliano: Yes.

Senator Murray: What is the advantage of having in place a Crown corporation if you are calling the shots?

Mr. Gagliano: The difference between a Crown corporation and a department is that, with a department, you deal with it on a daily basis. We gave them a mandate and said, "Here is the mandate. Give us a five-year business plan, and we want to know —"

Senator Murray: "But do not put up the price of stamps, and do not close rural post offices."

Mr. Gagliano: Yes, and we also said we want universal service for Canadians. I believe, and the government believes, that that mandate is achievable, and I am sure some of the things are being implemented. Once we solve this labour-management problem, I believe that plan can be viable. Canadians can receive a universal postal service no matter where they are, paying the same prices. All the administrations are doing it. I think we need to know what the government intends to do as a shareholder, what type of results it wants to have, and then it is up to Canada Post management to tell us whether or not that is possible.

Senator Murray: They would not dare.

Mr. Gagliano: We asked them to give us a five-year plan.

Senator Murray: Minister, you obviously have a very intimate familiarity — I have listened carefully — with the course of the collective agreement negotiations this time. You know everything about them. You told Senator Nolin and others that the only advice you gave to management was to try to settle, and to try to settle without a strike and, of course, the overall mandate that they had to be a profitable corporation. How often did they discuss the collective bargaining negotiations with you?

Mr. Gagliano: I did not discuss —

Senator Murray: Did they report regularly to you?

Mr. Gagliano: No. As you said, and as I said, I am the minister responsible in the House of Commons during Question Period, so therefore it is my duty to be informed on the stages of the negotiation, in order to be able to answer questions in the House of Commons. The only advice that I gave to Canada Post was that the best settlement would have been a negotiated settlement, and that definitely there is the mandate to always take into account.

When I became minister, knowing that the negotiations were already started, I thought it was my duty to inform myself of the issues. What I have discussed here is not necessarily what the issues were. At the end, Canada Post tried to avoid a strike. The major issues had been put on the table for settlement. Those were the main issues that I tried to enumerate during Senator

Roberge's questioning. I believe that, as the minister responsible, it is my duty to know what the issues are, and why we do not have a settlement. I think I must ask that question, and that is what I described previously.

Senator Murray: I do not know whether that is the case, minister. In the case of an autonomous Crown corporation, I would think that management would be told to conduct their own negotiations, and that Parliament would be told that management had the duty and right to do that, period.

Your testimony today, before the committee, has been that the wage settlements provided for in this bill represent the salary policy of the government; correct?

Mr. Gagliano: Yes.

Senator Murray: Did you tell the management of Canada Post, when the negotiations began, that they were therefore expected to adhere to that policy?

Mr. Gagliano: No.

Senator Murray: You did not try to —

Mr. Gagliano: They offered more than is in the bill.

Senator Murray: They offered more than is in the bill?

Mr. Gagliano: The bill goes up to 1.9, and they offered 2 per cent in the last offer.

Senator Murray: To your knowledge, did any other minister or official of the government, either the Treasury Board, Department of Finance, Crown corporation secretariat, or what have you, give any guidance or instruction to the management of Canada Post on that matter?

Mr. Gagliano: I am not aware of any. Again, Canada Post received a mandate from the government, and Canada Post, like anyone else, can read the amount of the inflation rate, the private sector index, the public sector index, and I think Canada Post was trying. Again, I repeat that that offer was made as a last resort before a strike, so I believe they were doing their best to avoid a strike within the financial constraints that they had.

Senator Murray: I am sure you have already explained to the committee why you are punishing them by providing for less in this bill. Have you?

Mr. Gagliano: I am not in the punishing business. I am not punishing —

Senator Murray: You are giving them less than Canada Post offered.

Mr. Gagliano: I repeat, Canada Post made that offer with a hope. It was a package with two or three major issues to solve, in the hopes of not having a strike, and not having Canadians go through what they have been going through in the past 14 days.

As a government, we have a responsibility. We do not want inflation to start going up, and therefore we are respecting the inflation and the average that is there. Government is one of the biggest employers in the country; therefore, I think if we legislate someone's wage, we must ensure that we can afford to pay the same increases to the others.

Senator Murray: Minister, that suggests that the government would intervene anywhere in the federal public sector where they found that a settlement or wage increase was about to exceed the guidelines set out in the federal government's salary policy. Is that your intention?

• (1830)

Mr. Gagliano: Let me remind you that the government already acted in the past when it froze public servant's salaries to ensure that we put our house in order.

Senator Murray: I am perfectly aware of those cases and I am aware of the six-and-five policy back in the 1980s, but is there such a policy now and the intention to enforce it throughout the federal public sector?

Mr. Gagliano: I am not responsible for the public service. The President of the Treasury Board is. However, as a member of the government, I can tell you that the government intends to keep inflation low, where it is now, because low inflation and interest rates are the major factors that have allowed us to put our financial house in order. We want to ensure that jobs can be created and that business can continue to do business. As a government, we want to ensure that we do not start an inflationary spiral.

Senator Murray: I understand the concern about inflation, but there are many unions and various employers involved in the federal public sector. You have a policy, you have stated, and the reason you have provided for certain increases in this bill is so that that policy will be enforced. My question is whether you intend to enforce it throughout the federal public sector and how you will do that.

Mr. Gagliano: Each negotiation is separate. I think we indicated the government's intention in this bill, and I do not want to predict the result of any negotiation that is ongoing. We will have to wait and see what happens in the other negotiations.

Senator Murray: Yes, we will.

Senator Robertson: Minister, I want to speak of the process for a couple of minutes. I have been listening very carefully to your responses this afternoon. They are a bit curious in some areas, shall we say. You said to Senator Kinsella — and repeated this and properly so — that you meet on a regular basis with the chairman, Mr. Ouellet, and members of the board. Then later in your discussion with Senator Kinsella, you mentioned that it was only about a month and a half ago that you recognized that there was the possibility of a breakdown in the near future. That would be in about the middle of October. Were you given no indication by the chairman of the board or the board members that the

negotiations were not progressing very well before that time? Was it only then that you realized that there was going to be a real problem?

Mr. Gagliano: I do not know the exact date and I do not want to give you the wrong date. First, in the early fall, the Minister of Labour appointed two mediators to help the parties. In our effort to try to help the parties — I should perhaps not address this, but since I am a former labour minister I know a bit about it — if the parties do not want help, the Minister of Labour cannot impose anything. However, after the mediators reported that they could not really help the parties, the Minister of Labour had the option, at that time, of appointing a commissioner-conciliator, which he did. After a while, the commissioner-conciliator reported that he could not help the parties come to an agreement. Once that happened, there was a legal basis for a strike or lockout. There were different attempts during that period by both parties to see if they could come to an agreement. Then, when the strike came about, the Minister of Labour appointed the mediator to see if he could do something. Again, after a few days, he realized that things were not going anywhere, and that is why the Minister of Labour recommended legislation, and we are here.

Senator Robertson: I believe, minister, that all of us here understand those facts and have been following that progression with some degree of interest. You have said — and I agree with you — that we have lots of expertise across the country. During this period of negotiation, did Canada Post bring in expertise, such as labour lawyers from outside of Canada Post, or that sort of support help?

Mr. Gagliano: Yes, the chief negotiator, until that famous incident, was an outside lawyer. He was the chief negotiator from the beginning with Canada Post.

Senator Robertson: I ask this, minister, because there have been comments this afternoon that we are dealing with an aggressive union. I think most of us have discovered or have learned over the years that when you have an aggressive union, very often you have a management that perhaps is responsible for the aggression. For instance, if you consider the employees of Canada Post, I doubt if their work would be more difficult than that of employees who belong to other unions. I am thinking of police officers, people who work in fire prevention and fire protection, the fire-fighters. You can go on and on, if you want to. You can even consider nurses who put in long hours of work. There always seem to be methodologies that can be developed between management and the union that allow more satisfaction, shall we say, than what we have been experiencing with Canada Post.

You have mentioned that over the next three years you intend to go through that contract, which is as long as the Income Tax Act. That will be a big job. Do you plan on having outside consultants look at the management of Canada Post? You have heard all the criticism that has been levelled at the corporation. Do you feel you have to look at it from top to bottom in order to get the corporation on a steadier basis that will better satisfy the public and stop these interruptions?

Mr. Gagliano: Yes. There is just one thing I want to make clear. I do not intend to go through that labour agreement clause by clause because I believe, as a minister, it is not my role.

Senator Robertson: That is true, but someone would do it. I do not expect you to do it.

Mr. Gagliano: Labour-management relations are like a marriage. It takes two to tango. I am not blaming one side or the other. This is not new. It has been going on for years. For the last seven years we have not had a strike. We realize, unfortunately, that there is a lot of work to be done, and I intend to get the best minds to study this, not only from management and the union but I want to bring in other experts. We have a lot of experts in industrial relations in our universities and private-sector firms. We have to find a way to solve this problem. Yes, you are right, it should be examined from top to bottom.

• (1840)

The problems are not necessarily only at the top. There are problems on the floor of the post office, at the different levels of management. This is the fourth largest corporation in the country with over 54,000 employees.

It is true that three other unions signed the agreement, but the major union, which represents about 45,000 of the 54,000 workers, has problems with labour-management relations. We must find a way to solve those problems.

Senator Robertson: I would certainly hope so, minister. Certainly you have a large group with whom to contend, but the public expects more. You will have to analyze management as well as the union membership and leadership before you achieve peace. We will be interested to know what progress you make in that regard.

Senator Kelly: I wanted to raise a supplementary some time ago relating to Senator Kinsella's questions and the following long series of questions about the wage offer in this legislation being somewhat lower than the wage offer which had been on the table before negotiations collapsed.

It is my understanding that, at the time management made a wage offer, which admittedly was slightly higher than the wage offer in the legislation, it was against a background of requesting certain flexibility in dealing with the workforce. In the ensuing three hours you have covered that, but I just wanted to be sure that my understanding was correct. We were comparing two wage offers in isolation which was not totally fair because that approach did not tell the whole story.

Having waited and listened to other questions, I now have two other matters to raise. Being somewhat more conditioned in the corporate world, would you not agree that that a board of directors is responsible to the shareholders. The matters dealt with by the board as directives are really matters of policy. A shareholder or group of shareholders has a perfect right to do that; that is the role of shareholders. By contrast, we expect the

day-to-day management will be carried on by strong, competent, professional management. Is that not the case?

Mr. Gagliano: Yes.

Senator Kelly: My third question relates to a remark made by Senator Robertson. I want to add to the causes of aggression amongst employees. You may not want to agree with this because it is too pointed, but very often aggression occurs through the very active participation of union leadership, as opposed to union membership.

For a period of years membership became concerned about the overly aggressive stance taken by the leadership which did not reflect the feelings of the general rank and file. That may not be the case in this instance. I do want to add to the possible reasons for aggression, overenthusiastic leadership.

Mr. Gagliano: Thank you, senator. You will understand that I would not like to pass judgment on the union leadership.

Senator Kelly: I do not think you should.

Mr. Gagliano: As Minister responsible for Canada Post, I must pass judgment on the management side. I will try to stick to that and ensure that I stay out of trouble. Hopefully, within the next 90 days, if this bill passes, we will have a negotiated settlement. From there we must build good management relations. I hope you appreciate that I am specifically trying not to answer your question.

Senator Kelly: I was offering a personal opinion. Thank you.

Mr. Gagliano: I appreciate it. Thank you.

Senator Lynch-Staunton: I would like clarification, minister, on an answer you gave to Senator Murray regarding the determination behind the raises of 1.5 per cent, 1.75 per cent and 1.9 per cent over three years.

Did I hear you say that this was the result of the government's determination to keep inflation down?

Mr. Gagliano: Yes. The inflation rate in the country is below 2 per cent. The average industrial labour sector increases is below 2 per cent. That is why the government went as far as 1.9 per cent.

Senator Lynch-Staunton: Will that be the determining factor in all labour relations with public service unions that will start in earnest next year?

Mr. Gagliano: No.

Senator Lynch-Staunton: You say "no," but you just said that the determination to keep inflation below 2 per cent is so strong that, even in negotiations for wage settlements, that will be the main preoccupation and, therefore, this settlement may set the pattern for future settlements.

I will answer my own question and I hope you can contradict it. It seems as if you are setting a wage policy which you are imposing on future negotiations.

Mr. Gagliano: I am saying that inflation is below 2 per cent. As a government we want to ensure it stays below 2 per cent.

Senator Lynch-Staunton: Is that so even at the expense of those who have not received a wage increase for the last six years? We have had a wage freeze, as you know, minister, introduced by the Progressive Conservatives, which lasted three years. That freeze was extended by your government for three years. Unless you fall within a certain category and can capture an increase within the category, your wages, effectively, have been frozen for six years.

Mr. Gagliano: Let me remind you that Canada Post employees just got a 2-per-cent increase in February. I would restrict my comments to the area of my responsibility. The government wants to keep inflation low. Currently, public sector negotiations are underway. Those negotiations will continue and, when they are completed, the government will take its decision.

Right now, this bill addresses the postal situation and, therefore, I must disagree with you. Canada Post employees got a 2-per-cent increase in the month of February. We are offering another 1.5 per cent whenever the contract is signed, and 1.75 per cent and 1.9 per cent in the next two years. There is protection in the clause regarding inflation increase should the rate rise. We want to ensure that inflation stays low.

Senator Lynch-Staunton: You said it is the policy of the government to keep inflation as much as possible at 2 per cent or lower. Therefore, the pattern which you are asking us to legislate today is one which, no doubt, you will want the government to follow in its other wage negotiations with other employees.

Mr. Gagliano: I cannot predict what the negotiations will be.

Senator Lynch-Staunton: I am asking about the government's policy.

Mr. Gagliano: Presently the government is faced with a postal strike and the government wants to ensure that inflation does not go out of control, so it set those wage rates in its legislation. I would remind you that the freeze has been broken and some adjustments to salary have already been made. The public service is now negotiating, and I would like to stay out of those negotiations.

If we arrive at a negotiated settlement, then we will judge it. Unfortunately it did not work with the post office. If they had accepted the negotiated settlement, they would have received the 2 per cent.

Senator Lynch-Staunton: You are giving them less. You are delaying the modest increase by six months. The post office offered to make it effective retroactive to the expiration of the contract on July 31. This bill stipulates that they will get the raise

at beginning of February. They are being penalized by having to wait six or seven months. Why did not you make it effective at the end of the last contract?

Mr. Gagliano: We are saying that they will get their increase when they reach a contract. In the legislation there is a 90-day period, that is why the February date is there.

• (1850)

Senator Lynch-Staunton: It has been done before, but it is horrendous legislation, no matter how essential the service, when it is motivated by a profit factor and the priority of the government is more to make a profit out of an essential service than to give some reasonable increase to at least allow the discussions regarding the labour contract to go on.

This goes beyond this particular issue, but I find it hard to accept. We have been through this before, whether with rail workers or dock workers. We allow them the right to strike, and then when the strike goes on for too long by somebody's determination, we tell them they do not have the right to strike any more.

The government should find a new method of proper negotiation with a public less perturbed than it is now and allow normal negotiation to take place. Either you take the right to strike away or you find a new way of doing it. This is the worst way possible.

I am not defending the union. They have been reprehensible in the way they have behaved. If they come here tonight I shall tell them that. However, this is just a charade. Six months have been lost and we come to this stage and end up with an arrogant government, an unhappy union and members, and a management which becomes a tool of this law, in effect.

The Chairman: Mr. Minister, do you wish to respond?

Senator Gustafson: Minister, in regard to wages, did you draw a comparison between the postal workers and other sectors of Canadian workers?

Mr. Gagliano: As I said before, we are dealing with the postal workers right now and other sectors are negotiated under their own terms.

In setting the wages in this bill, we took into consideration the industrial index factor which is published on a monthly basis. That is what is reflected there.

Senator Gustafson: Do you not compare sectors of the working society?

Mr. Gagliano: The labour index compares all the sectors, public and private, and that is what we took into consideration.

Senator Gustafson: What about different regions of the country? Does a letter-carrier in Saskatchewan get the same pay as a letter-carrier in Toronto?

Mr. Gagliano: I believe so; however, I do not have that detail. I believe it is the same rate.

Senator Gustafson: You have not investigated that?

Mr. Gagliano: No.

Senator Phillips: Minister, I have been informed that the union has announced, regardless of what happens in this chamber today, they will go back to work tomorrow. In view of that announcement, does the minister still consider this legislation essential and, if so, why?

Mr. Gagliano: I do not know. I am glad if they are going back to work tomorrow because Canadians will have a postal service sooner than I expected. However, there is no new contract, so we are where we were 14 days ago. What happens if two weeks from now they decide to go on strike again? Legally, they can go on strike. They can go in tomorrow and the day after that they can go out again.

It is important that this legislation pass so that the Minister of Labour can appoint a mediator and perhaps something will come out of that process over the next 90 days that we can work with.

I agree, senator, we definitely cannot continue like this. Every time we try — and different governments have tried to modernize the postal service — we are forced against a wall. We must look into it. We hope that we can get better management-labour relations and that Canadians will not have to go through this again. However, I believe that does not change the situation.

The decision of the union is very welcome. I am sure Canada Post management will welcome them back and hopefully postal service will resume by Friday, if it is possible, or even by tomorrow afternoon.

Senator Phillips: Minister, I will now drop the other shoe. They have announced that they will be offering a postage-free period. In other words, if you mail a letter without a stamp on it, the workers will ensure that it gets through. How does that tie in with the legislation and your instruction that the post office be profitable?

Mr. Gagliano: I believe that announcement by the union is illegal. It is irresponsible for any union or Canadian to encourage Canadians to participate in postal fraud or other illegal acts.

I believe that Canadians are law-abiding citizens and their workers will respect the law. I am sure Canadians will mail their letters and Christmas cards with the appropriate postage, but, again, we will have to wait and see what happens.

[Translation]

Senator Nolin: When you spoke about greater flexibility in the use of the labour force, you spoke of a program that would permit you to forecast fluctuations in service requirements. Were you referring to a region, like Montreal for example, or the entire country?

Mr. Gagliano: The entire country.

Senator Nolin: So if, within a ten-day period, demand were expected to increase at the other end of the country, say in Vancouver, you could take employees from Toronto and send them to Vancouver. That is not what you mean, otherwise I would understand why they are striking.

Mr. Gagliano: No, it is within a region. At the moment the collective agreement provides for a radius of 40 kilometres. The consultation process for reaching a decision is too long. In the private sector, a decision that takes too long hurts business.

Senator Nolin: You are saying that, within a radius of 40 kilometres, if you foresee an increase in demand for service in one postal station, you take employees from Station A, for example, and move them to Station B.

Mr. Gagliano: Yes. Take Montreal, for example. There could be an increase in the west end of the Island of Montreal. We could take employees from Montreal's east end and send them to work in the west end.

Right now, a series of consultations and measures are provided for in the collective agreement. Last year in Toronto, for example, 47 people were laid off. The agreement provides for consultations by seniority. After seven months, they had managed to place only four. It will take another six months to finish the job. It involves establishing a classification, that is, moving personnel because 47 positions were abolished. Nobody loses their job, but people have to be reclassified and reassigned. The description of the consultations in the collective agreement makes them very difficult. This sort of system slows down the corporation's decision-making process and prevents it from being profitable and competitive. No one is getting fired. Everyone who has a job at the Canada Post Corporation will be kept on, unless they want to take their retirement.

• (1900)

Senator Nolin: So I presume that was one of the items not yet resolved.

Mr. Gagliano: With a major financial impact, yes.

Senator Nolin: Am I to understand that you are guaranteeing us that, with the exception of article 12, all the rest remains to be negotiated between the parties as part of the normal collective bargaining process?

Mr. Gagliano: Apart from the length and amounts, the rest is under negotiation. For example, if agreement is reached before the mediator imposes a settlement, I hope that would still be the case.

The Chairman: Honourable senators, I have completely exhausted the list of senators who wished to speak. It only remains to express our sincere appreciation to the minister for agreeing to appear before the Senate. I also thank his adviser. I would now ask Senator Carstairs to introduce the next witnesses.

[English]

Senator Carstairs: I would ask honourable senators that George Clermont, the Chief Executive Officer and President of Canada Post Corporation, and Raymond Poirier, the chief negotiator, be invited to participate in the deliberations of the Committee of the Whole.

The Chairman: Is it agreed, honourable senators?

Hon. Senators: Agreed.

[Translation]

The Chairman: Thank you, Mr. Clermont and Mr. Poirier, for agreeing to take part in the Senate's consideration of the bill in Committee of the Whole. I am first going to ask you if you have a statement to make.

Mr. George Clermont, CEO and President of Canada Post Corporation: It is a great honour for us to be here in this historic chamber.

[English]

I only wish the circumstances could have been different. Canada Post's management and board of directors are profoundly disappointed that Parliament has had to legislate a return to work. I want to assure you that we had a total commitment to a negotiated settlement, and I personally and truly believe at this time that a negotiated settlement was possible.

[Translation]

I am an optimist by nature and I have remained one throughout the many months of these negotiations. For many years now, we have been trying to improve our relations with employees, and although appearances may perhaps be against us today, I think we have accomplished a great deal.

Have we not managed to sign three collective agreements this year? We were hoping to make that four out of four, but that was unfortunately not possible.

[English]

We decided early on and told CUPW that we would not use replacement workers to move the mail in the event of a strike. We did say that wages and job security would not be rolled back, but we also said that we needed some changes — changes that would ensure Canadians continue to have a universal postal service at an affordable price; changes that would ensure the competitiveness of the Canada Post Corporation.

These changes were modest. We wanted to be able to assign surplus employees to where the work is. No one wants a situation where employees are sitting around with nothing to do. As well, we wanted to change the delivery system so that letter-carriers could cover a few more addresses during their working day.

These small changes add up to big savings, savings that could be used to fund wage increases, service improvements and the costs of a system that is expanding by 175,000 new addresses every year.

The union chose to interpret this as an attack on jobs. It is not. We want to grow the business and have a secure basis for the jobs we now have, and that could be created in the future if we remain competitive. We may have a monopoly on letter mail, but in today's world, that, as well as every other service, faces competition.

Our future is tied to customer service and customer loyalty, and that is why I was deeply disturbed to hear the union's leadership threaten some of our largest customers with retaliation because they support a more productive and efficient postal service.

[Translation]

Fortunately, I know that our employees are more realistic and have not lost sight of the fact that, without satisfied customers, it is illusory to talk about job security. Their wish continues to be to serve Canadians to the best of their ability. Furthermore, that is what we all wish to do.

[English]

I want to assure honourable senators that Canada Post will make every effort to quickly restore full postal service to all Canadians should this bill be passed. We have thousands of people anxious to get back to work.

I want to assure senators that Canada Post will participate fully in the process established by this bill to finalize our contract with the Canadian Union of Postal Workers, and that our corporation will continue to make every effort to build a better climate for relations between the Canadian Union of Postal Workers and Canada Post.

• (1910)

Senator Kinsella: Could you describe briefly the day-to-day operational relationship between you, as senior managers, and the board of directors of the corporation?

Mr. Clermont: The board of directors is responsible for the policy-making of the corporation and for the management, in a general fashion, of the corporation, as is the case with any corporation, I assume. As managers, we are responsible for the day-to-day operations of the corporation.

Senator Kinsella: Did you submit the proposal that you were intending to bring to the table in your negotiations with the postal workers' union, to your board of directors prior to it being tabled in your negotiations?

Mr. Clermont: Yes, we did. We received a mandate of negotiations from the board of directors in the early spring.

Senator Kinsella: Was there ever any discussion with your board or amongst yourselves as to the possibility of back-to-work legislation being introduced, should you fail to reach a collective agreement with your employees?

Mr. Clermont: We were very confident that we would reach an agreement. We had reached an agreement with that same union in 1994, and we had settled three major collective agreements with three other unions during the year 1996-97. We were quite confident that we could reach a settlement this time also. At the time when we received a mandate from the board, there was no thought of back-to-work legislation.

Senator Kinsella: When was the first time that the idea of back-to-work legislation was discussed amongst senior managers?

Mr. Clermont: Maybe three weeks ago.

Senator Kinsella: Three weeks ago. Would that have been prior to November 24?

Mr. Clermont: Roughly around there. I think it was in mid-November or early November, when the negotiations were at a stalemate. I called on Mr. Tingley, the President of the Canadian Union of Postal Workers, in an effort to try to resolve this impasse. We spoke that day on the phone, and subsequently met on that day and talked about a possibility of fast-tracking the negotiations so that we could perhaps have an agreement by the end of that week. These have been very hectic weeks. I think it was November 13.

Senator Kinsella: Were any discussions held prior to November 24 on the subject-matter of back-to-work legislation with the Minister of Public Works or any officials from that ministry?

Mr. Clermont: Not to my knowledge; not specifically.

Senator Kinsella: Could you advise the honourable senators as to how many items were left on the table when negotiations broke down?

Mr. Clermont: Mr. Poirier, the chief negotiator, will answer this.

Mr. Raymond Poirier, Chief Negotiator: At the end of November, when talks broke off, there was still 24 items on our demand, and for the union, 36 items.

Senator Kinsella: One of those items was wages?

Mr. Poirier: Wages and COLA, yes.

Senator Kinsella: On November 24, did the corporation make a proposal that is effectively far more generous than the proposal that is contained in clause 12 of this bill?

Mr. Poirier: The proposal we made on that date was half of 1 per cent, 2 per cent in the third year, as compared to the

1.9 per cent that is contained in the bill. This was put to the union in the context of a settlement at that time, in order to avoid a potentially costly strike. It was tied to a number of other proposals that were made to the union at the time, most of which have so far remained unanswered.

Senator Kinsella: Clause 12 of this bill proposal, on wages, in effect is significantly less than your last offer on wages. Were you consulted on this matter at all? Was your position known to the Ministry of Labour?

Mr. Clermont: No. We had talked to the Treasury Board early in the negotiating process to give them an idea, as a shareholder, where we were going, but we did not review with them each and every step of the process. The offer we made, accompanied with a number of other proposals, included — and this is perhaps what the honourable senator is referring to — an increase as of August 1, but that was in the spirit of compromise, to avoid a strike. The fact is that the members of that union, our colleagues, did get a 2 per cent increase on February 1 of 1997.

Senator Kinsella: Either under your November 24 last wage proposal or the imposed wage settlement that this bill is proposing, how does the magnitude of the increase — either the more generous one that you brought to the table or this one — compare with salary increases for the management cadre at Canada Post?

Mr. Clermont: Our management cadre have not had an increase in four years. The salaries have been frozen for the last four years.

Senator Kinsella: Are there any performance bonuses available to management?

Mr. Clermont: There are performance bonuses available, yes.

Senator Kinsella: What would be the percentage of salary that such performance bonuses would represent?

Mr. Clermont: It would depend on the function of the employee. It varies from 10 to probably 20, 25 per cent. These performance bonuses are tied to some strict guidelines, such as achievement of the financial targets and achievement of the service performance target, which is 97 per cent on-time delivery as measured by Ernst & Young. There is a part based on improvement in customer satisfaction and a part based on employee satisfaction.

Senator Kinsella: What is the size of the management group at Canada Post?

Mr. Clermont: Roughly 2,500 excluded people. Some of the unionized people do share in these incentive plans.

Senator Kinsella: Do any of the members of the board of directors share in the incentive plan?

Mr. Clermont: No.

Senator St. Germain: As you gentlemen know, the Minister of Labour appeared before us earlier today. The questions that some of us put to him relate to the legislated wage settlement that is less than the amount that you had negotiated. As you point out, other items were attached to that offer, but it was done in the spirit of trying to avoid or avert a strike.

Obviously, you have gone through some very tense and emotional negotiations. We now have a situation where these people are being legislated back to work, believing, I am sure, in a lot of cases, that they are being forced to accept a wage settlement that is arbitrary on the part of the government. You will still have to face these people tomorrow, or whenever they return to work.

I have a limited experience in labour relations, but I draw on the experience of people like Senator Lawson, who was put here because of that experience, and others. I should like your opinion as to how you will deal with this situation.

• (1920)

If I as a postal worker had been offered something and later learned that I would be locked in for a three-year period by virtue of legislation, I just do not know how I would react. I am from British Columbia. People out there are aggravated at everyone. How will you manage this? How will you make these people understand that they must accept this legislated solution and that it is arbitrary?

Mr. Clermont: Certainly it will not be easy. It is a challenge for us. I believe that, in the last five or six years, we as managers have put much emphasis on employee relations. It is important here to distinguish between labour relations and employee relations. The employee relations that we have put so much effort into are the direct contacts with our employees, whether they be of this or that union or whether they are unionized at all. I have personally met thousands of employees on every shift across the country. It is not easy. There is resentment there, but I am gratified to say that I think we have made headway. I receive hundreds of personal letters and phone calls from employees who have problems every week, hundreds a week, and I answer each of them personally. I think this has born fruit.

Four years ago, we decided that we would spend \$55 million a year in training. To that end, we formed the Canada Post Learning Institute, which has so far given courses and lectures and seminars on customer relations and on interpersonal relations to more than 25,000 of our employees.

Rome was not built in a day. A great deal of resentment was built up in Canada Post. I will not judge as to who is to blame for this, but we as managers have taken our responsibility in hand. We have put our human resources as our first priority because we firmly believe in the theory that, to be financially viable, you need satisfied customers, and you can only get satisfied customers if you have well-trained and satisfied employees. That has been our focus in the last several years, and that will continue to remain our focus.

We have, as we speak, started some video training of supervisors and superintendents and plant directors, and each and every one of us will be out there to welcome our colleagues back to work. I firmly believe that the great majority of our colleagues want this corporation to succeed and to be a winner in the end, because they believe that, without customers, there is no job security.

It will not be easy, but it is feasible.

Senator St. Germain: I hear what you are saying. However, having said that, considering where you stand with your relations right now, looking on as an outsider, it is hard for me to believe that anything has been done at all, which is why I must ask you this particular question: Were you people consulted as to the salary in the drafting of the legislation?

Mr. Clermont: No, we were not.

Senator St. Germain: My final question, Mr. Chairman, is this: When you talk about the corporation, are you speaking of viability or profitability? I believe there is a difference. Has the government or have previous governments given you a mandate centred on profitability that is possibly causing some of the anguish and the problems within the corporation, or are you operating for a period of time on the basis of viability with a view to profits in the future?

Mr. Clermont: It is all a matter of definition, but we feel, and this is the mandate we received, that in order to provide service, to improve service, to invest in research and development of new products and services, to raise and to modernize the equipment that we use, for which we need capital, we should generate enough revenue, enough earnings, to provide for that at no cost to the taxpayers.

The government has asked, or at least these were the recommendations of the mandate review, that we provide a dividend to the government, the shareholder, which every one of our competitors does as well.

Senator St. Germain: You are saying profitability, then.

Mr. Clermont: Indeed, inasmuch as profitability is required, we invested in the mid-1980s in multiple line or character readers. We invested hundreds of dollars in equipment. That was very modern for the day but it will become obsolete some day.

We have bought flat sorting machines in the last two years that have cost us \$120 million. We need the funds to buy that equipment in order to be competitive.

Senator St. Germain: What do you expect for a return on investment or as a profitability factor?

Mr. Clermont: The mandate review recommended that a return of 10 to 11 per cent on the equity would be adequate. We have not yet finalized a corporate plan and have not finalized the financial structure or framework within which we will operate for the next five years. That has yet to be done.

Senator St. Germain: Do you include labour in any of these decisions at all? How will you achieve these targets?

Mr. Clermont: Labour forms 63 per cent of our costs, so we are concerned and aware that labour must be a part of that.

Senator Lynch-Staunton: You mentioned, Mr. Clermont, that you had settled three out of four major labour agreements. Are the three that were settled on the same basis as this?

Mr. Poirier: It is below the 2 per cent range for the three others.

Senator Lynch-Staunton: For a three-year period?

Mr. Poirier: Yes.

Senator Lynch-Staunton: So this one is within the range.

Mr. Poirier: It is within the same range, yes.

Senator Lynch-Staunton: I am not convinced that the post office should be a profit centre. I do not want to get into a philosophical discussion, but I think it is such an essential service and so many people depend on it that it should be considered an essential service before a profit centre. What is the experience elsewhere in the world? How do they consider a post office in the United States, Germany, or Japan? Is it considered a profit centre before it is considered a public service? The two do not necessarily go together.

Mr. Clermont: Things have evolved drastically in the last 10 years, perhaps. In most countries in the industrialized world today, the post office is looked upon as a profit centre. It is required to earn an adequate return on investment.

• (1730)

In one case, it has been privatized, and that is in the Netherlands. In 1998, the post office in Germany will be privatized by 50 per cent. In the UK, of course, the Royal Mail generates about £300 million to the British treasury per year as profits. The French post office is not managed to generate a profit but is mandated to do so. The post offices in Australia, New Zealand and Argentina have all been mandated to earn commercial rates of return.

Senator Lynch-Staunton: The most successful countries you mentioned are those with a small land mass and a relatively large population. It is easier for them to meet those goals than it is for this country where we have more difficult geographical and population factors. How much does that requirement for profitability affect the service that you should be giving? I am not going back to when we had two deliveries a day, and even one on Saturday. I would like to think we could go back to the times when we had, perhaps, a little faster receipt of mail from Montreal to Toronto, or even from Magog to Georgeville.

Mr. Clermont: Magog to Georgeville will improve drastically under a new system that we will be putting in place very soon.

Our standards between major centres — at 97 per cent for two-day, three-day and four-day delivery — are certainly amongst the highest in the world, I must say. To achieve

97 per cent for two-day delivery, you have to have at least 75 to 80 per cent next-day delivery, statistically. Two days ago, I was reading a bulletin of the European Commission which said that they will require that 80 per cent of the trans-European mail — and I would say continental Europe is probably the size of Canada, perhaps even smaller — reaches its destination in major centres within three to four days. I believe that we are not that far off the mark in this. The measurement is done by Ernst & Young.

Senator Lynch-Staunton: In the countries you mentioned where the concept of profitability or break-even is a requirement, do the employees have the right to strike? Perhaps I should put it the other way: What other countries have a postal service with a right to strike?

Mr. Clermont: I believe, senator, that the United States is the only country in the industrialized world that does not have the right to strike. The others all have it, and they use it.

Senator Lynch-Staunton: Maybe this question is for you, Mr. Poirier. How much latitude do you have in the negotiations, since you are really acting for the government? The government is your only shareholder. Whether you have a board of directors or not, you are answerable to the government. Is the government, in effect, directing you in your negotiations?

Mr. Poirier: No.

Senator Lynch-Staunton: What latitude do you have, as a representative of a major corporation, a major employer, knowledgeable of the day-to-day activities? Are your hands tied, or is your negotiating ability limited by the government's broad, general wage policy and inflation policy?

Mr. Poirier: In my case, I receive my mandate from the president.

Senator Lynch-Staunton: Maybe the president could answer. From whom does he get his mandate?

Mr. Clermont: I get my mandate from the board of directors, senator.

Senator Lynch-Staunton: The minister, Mr. Gagliano, told us that these wage increases over three years — 1.5, 1.75, 1.9 per cent — were largely determined by the government's hope to see that inflation would remain at 2 per cent or less. Surely, if he has told us that, you must have been told that, too, in your negotiations with your union before we had to come to this resolution.

Mr. Clermont: We were very much aware, and have been throughout from the conversations we had way back in the spring with Treasury Board, that the government was concerned about the type of increase we might give our union. We were very much aware that this was a concern. If Mr. Poirier had asked me whether he could go to 3 per cent or 4 per cent, he would not be here today.

Mr. Poirier: Thank you.

Senator Lynch-Staunton: I think that answers my question.

Looking down the road, since the postal rates are frozen for another two years or so, what are you planning?

Mr. Clermont: I am sorry, senator, I missed your question.

[Translation]

Senator Lynch-Staunton: Are postal rates going to be frozen for another two years?

Mr. Clermont: Yes.

Senator Lynch-Staunton: Will you be announcing increases before then?

Mr. Clermont: Absolutely not. The government announced last spring that there would be no increase before January 1999.

Senator Lynch-Staunton: They are frozen now, but what about after January 1999?

Mr. Clermont: We will see after January 1999. We have not yet set up our five-year plan.

[English]

Senator Lynch-Staunton: I guess what I am saying is that you do what you can, but you are really limited by the government's policy, and when governments change, maybe your priorities need to change, too. You do not have the independence of running the operation and the corporation, which perhaps you should have, considering its magnitude and importance.

Mr. Clermont: With respect, I do not agree with that, senator.

Senator Lynch-Staunton: I do not want to put answers in your mouth, sir, but I suspect if you had a little more independence, you would be a little more effective. You do not have to answer. I saw the nod but it is not recorded.

Mr. Clermont: I was nodding to Mr. Poirier.

[Translation]

Senator De Bané: I must admit that I was very surprised this evening to hear some of my colleagues making a distinction between viability, the break-even point, on the one hand, and profitability, on the other hand. I have a hard time understanding how an operation can be viable, sustainable, competitive and not profitable. We are entering a communications era where huge investments will be required.

I was reading an article this week on a company like Federal Express and the billions it spends: three billion dollars alone on computer technology every year. We think we can do the same by breaking even without making a profit. What planet are we living on?

Recently Gordon Ritchie was quoted in *The Globe and Mail* as saying that the collective agreement of the Canada Post Corporation was probably the most restrictive in North America. A few years ago, a journalist who managed to get into the Toronto postal station for a two-week period reported that he was not permitted to speak to management and was required not to

work too quickly. I read these days in the paper that, under the collective agreement, Canada Post cannot evaluate employees' performance. I would like your comments on the objectives of the bill, which require the mediator to take the corporation's need for profitability, efficiency and competitiveness into account. There are five or six criteria. Could you tell us about some of the current bottlenecks in the agreement that oblige the corporation to assume 63 per cent of the costs and become much more effective, like other Canadian companies?

• (1940)

Mr. Clermont: I do not want people to think that postal workers, my colleagues, are not hard-working. They are excellent workers, they do their best and they do it with great enthusiasm.

What we are looking for in this round of bargaining and in those to follow is more flexibility. Examples of excess have been given by some honourable senators that prevent us from adapting the corporation to market demands. You alluded to the capital spending Federal Express faces in order to automate. Federal Express and UPS are our competitors. We have many competitors. Will the Internet replace physical mail as we know it today? I cannot tell you. I do not have a crystal ball and I do not know the answer. But we must be ready for this next stage, these challenges resulting from technology or competition from multinationals four or five times our size. I know what our employees want. What we want from our unions is flexibility.

Senator Lynch-Staunton spoke at length about other countries, and I would like to draw a comparison with the Australia Post Commission, which serves a population spread out over a very large area and still manages to generate large profits for the government and for reinvestment. What happened in Australia 12 or 15 years ago? The situation was hardly better than ours and the union finally realized that there was competition out there. If the union and managers did not sit down at the same table to share the commission's objectives, they would get nowhere.

The Australia Post Commission was losing hundreds of millions of dollars a year. A number of years ago, they signed a business contract with the union in which the commission's long-term objectives were approved by both the union and the employer. That is what we are trying to achieve. That is what we would like to do. That is what we have done with three of our unions. But when the union's rule is not to talk to management, when the union disciplines one of its employees who went bowling with his manager, we are still a long way from the community of interests that we would like to create and that our employees, my colleagues, also share.

[English]

Senator Murray: In his report, Mr. George Radwanski makes it clear that he is opposed as a matter of principle to the commercial mandate which was given to you by the federal government in 1986. Indeed, he thinks it is at the root of many of the corporation's current difficulties. I say he is opposed in principle, because he goes on to say:

Public enterprises exist to serve a public purpose and to provide a public good; private enterprises exist to make money for their owners or shareholders and to meet a commercial demand.

Mr. Radwanski is of the view that what he called the delicate balance between the public policy responsibilities and commercial objectives of Canada Post was tipped towards the commercial mandate by that decision in 1986.

I will not ask you for your philosophical opinion or your political opinion. However, it is fair to ask you whether, as a practical matter, it is possible for Canada Post to carry out a public policy mandate and, at the same time, to function as a commercial operation.

Do you agree with Mr. Radwanski that the core public policy responsibilities of Canada Post are twofold — to provide all Canadians with universal mail service at a uniform affordable price and to serve as a nation-wide presence of the federal government?

As a practical matter, assuming that that is the public policy mandate, is it possible to carry that out and to succeed in a commercial mandate at the same time?

Mr. Clermont: I believe that, as a practical matter, it is. I think that over the past 10, 12, 14 years, Canada Post has proven that. Canadians enjoy the second lowest postage rate in the world in, as was mentioned, a very large country with a very sparse population. Notwithstanding that, Canada Post has competed in a number of markets connected to the postal business and has done so quite successfully.

The track record of earnings is not as good as we would have hoped and as was estimated in 1986. Still, since that time, the corporation has not dipped into the public treasury and, I think, has managed to do fairly well.

Much remains to be done. It is public policy to keep the rates as low as possible, providing service to all Canadians, wherever they live. It is proven economically that one must fill the pipeline. The postal business requires a huge infrastructure that cannot live by itself.

The same report from which you are quoting, Senator Murray, also recommended, as a solution to fulfilling just the core policy, a rate increase — of 5 cents or 7 cents, I am not sure — and a tax of 50 cents on every courier item transported by the private sector as a compensation for the loss of revenue, recognizing that the infrastructure is a very costly one which must be maintained whether there are two letters or ten letters to deliver at each address.

Senator Murray: There is the general public policy mandate which you referenced, to serve all Canadians at a uniform rate, et cetera. There are also specific directives which you have received from time to time that leave me to think that there is some inconsistency between trying to carry out a public policy

mandate and achieving the commercial objectives at the same time. I refer to the directive not to close any more rural post offices. The freeze on postage rate increases existed for a while. Was Canada Post compensated by the federal government for either of these decisions?

Mr. Clermont: No, and we never did ask for compensation. The policy of the government was to freeze the conversion of rural offices. At this stage, and in the long run, that may serve us well.

• (1950)

These post offices, in addition to being a federal presence in the communities, will also, hopefully, down the road, serve as a single kiosk for delivery of government services through electronic means. We have been in discussion with provincial governments and some federal departments of the federal government on delivery of services through these post offices.

Senator Murray: Were they money-makers?

Mr. Clermont: They are not money-makers. However, if you are assessing an infrastructure and a retail network the size of ours, you will find some that will make money and others that will not. That is no different from banks, for instance, where some branches will make a lot of money, say, at the corner of Bloor and Yonge, but others will not, yet the bank, or Canadian Tire or whoever, chooses to have a presence there and to amortize the cost.

Senator Murray: One of the questions I was trying to ask Minister Gagliano when he was here related to the degree of autonomy that really exists for Canada Post as a Crown corporation. He told us that it is an arm's length relationship with the government. I asked: How long is the arm? Later, he acknowledged that when one is the sole shareholder, one may call the shots. Would you agree that that is a proper description of the relationship?

Mr. Clermont: Yes, very much so. It is no different from a single shareholder of a large corporation.

Senator Murray: That leads me to wonder — and I will not put the question to you, because it would be unfair — what we gain by having Canada Post as a Crown corporation as opposed to the situation that prevailed previously when it was a simple department of government.

You did go somewhat farther than other witnesses in regard to the wage guidelines of the federal government. I take it you met with Treasury Board officials early in the process, or perhaps before the negotiations began, and those Treasury Board officials made it clear to you what the ceiling was to be in terms of wage settlements in the federal public sector.

Mr. Clermont: Senator, if that is the impression I left, I stand to be corrected. Each year, we sit with the Crown corporation directorate of the Treasury Board to set the financial objectives of the corporation. This year was no exception.

While the report of Toronto Dominion Securities came out later and recommended a five-year financial framework, it has yet to be finalized. We did, however, file and discuss the corporate budget for this year with Treasury Board as a representative of the shareholder.

While there was no set wage increase, we were very much aware, as every Crown corporation or department of government must be aware, of the government's concern with inflation. We looked at average settlements in the industry and we set out goals and objectives according to that.

Senator Murray: Was this a matter you discussed with the Treasury Board officials?

Mr. Clermont: Yes. However, I do not recall that we talked about a percentage, such as 1.5 per cent or 2 per cent, in the corporate plan. It is always the large picture we consider.

Our labour costs will go up or down by 1 per cent, to 62 per cent or 63 per cent. However, we never got too specific because, at that time, we did not know what the demands of the union would be. At the beginning, they were asking for 11 per cent.

Senator Robertson: I would assume, gentlemen, that Canada Post has been involved in major downsizing in the last five or six years. If that assumption is correct, what has the staff reduction been?

Mr. Clermont: I am afraid I cannot give you a precise figure.

Senator Robertson: Can you give me a ballpark figure?

Mr. Clermont: I can say we have not laid off anyone. Through natural attrition and through buy-outs, we did reduce the number of staff.

In the fiscal year 1993-94, we took a special charge of \$225 million against earnings. We ended the year in a loss situation, but that is a common practice, in order to allow us to buy out people. In head office, we probably reduced the number by about 700 in the five years.

Senator Robertson: What percentage of Canada Post staff is full time and what percentage is part time? Has the ratio between the two changed significantly during the past five years?

Mr. Poirier: Globally, around 70 per cent to 75 per cent of the staff is full time.

Senator Robertson: Has that stayed constant over the last five or six years?

Mr. Poirier: At least for the last five years.

Senator Oliver: There have been a number of incidents reported in our paper — and my question is bill-specific — about civil disobedience that has occurred at airports, in banks and so on involving some of your employees. We have been told by the

ministers that the purpose of clause 17, the enforcement clause, is to get people back to work and that it has nothing to do with any civil disobedience that might occur otherwise.

What contingency plan do you have to ensure that those incidents do not continue after this bill is passed?

Mr. Clermont: Although I have not touched a law book in many years, I believe it would be a proper interpretation of the law to say that the laws of the land would apply. If some of Canada Post's employees blocked traffic at an airport, it is up to the airport authorities or the police who patrol the airport to ensure that this does not happen. I do not believe that the provisions of the bill could be applied in such a case. That is not a legal opinion.

Senator Oliver: Do you have any internal contingency plans of your own?

Mr. Clermont: If trouble occurs on our premises, we have plans of our own. However, we cannot plan for the disruption of airports, bridges or other facilities that the union leadership has indicated will be disrupted. This is the responsibility of the local law enforcement agency.

Senator Kinsella: From your standpoint, do you think that final-offer arbitration would have been a useful model for arbitration under this legislation?

Mr. Poirier: With two of our unions, we have final-offer arbitration available. It is fairly new to us. Whether this would work with a large union representing a large number of employees such as that is difficult to answer at this stage.

• (2000)

Senator Kinsella: Has it been working with the units to which it is applicable?

Mr. Poirier: We went to arbitration with one of our unions. In fact, it worked pretty well for both in that specific situation.

Senator Kinsella: Would you be able to inform honourable senators as to how much Canada Post has spent on negotiations in this round? For example, could you give us an estimate as to how many PYs are involved for Canada Post in the negotiations?

Mr. Poirier: On a regular basis, we have around 15. Obviously, you require external help when you negotiate a large collective agreement like this with a large number of employees. There is some of that. Within the corporation, we require some assistance, whether it comes from finance, legal services or elsewhere. The main body of the negotiating team is comprised of approximately 15 full-time individuals.

Senator Kinsella: Would you be able to give a dollar estimate as to the cost of negotiating this round from this past summer until now?

Mr. Clermont: That would be difficult to ascertain.

Senator Kinsella: Fair enough.

What is your best estimate as to what the strike has cost Canada Post to date?

Mr. Clermont: Thirteen days at roughly \$18 million a day. That is the direct cost. In addition, we have to count the lost business before the strike. A great majority of customers did not wait until the last minute. Some did but others did not. They went to the competition.

Our task now, and it will be very difficult, will be to bring some of that business back. We know for certain that some of our very large customers have signed multi-year agreements with competitors. That business is lost.

It is too early to tell at this point, but I would venture to say the strike will cost us at least \$200 million in lost business.

Senator Kinsella: Given the magnitude of that loss to Canada Post and taking into consideration the loss to small businesses, which has been estimated to be upward of \$2 billion, do you feel some responsibility to the Canadian public? As a Crown corporation, do you feel that either you should have made a better effort at the table or that you should have recommended to the government earlier that they should move with contingency legislation or, indeed, back-to-work legislation so this tremendous loss of over \$2 billion could have been avoided?

Mr. Clermont: With regard to your last point, senator, we were hopeful that we would achieve an agreement.

As Mr. Poirier indicated, when we started this process in April, we put 39 demands on the table. The union put 53 demands on the table. When negotiations broke off, we had 15 demands left. In most cases we had abandoned the rest in a spirit of compromise. The union was almost at their original number of demands.

I phoned the president of the union in early November and offered in a spirit of compromise to accelerate and fast-track the negotiations so that we could remove the doubt in the minds of our customers, the public, about a strike as quickly as possible. I was given the assurance that they would look at that and that they shared the concern.

After that, the demands came exactly as they were before. Not one iota had changed. At that stage, we made the demands public. Their reply to our overtures would have cost us an extra \$400 million a year.

Senator St. Germain: Gentlemen, you have a 63-per-cent labour component in your overall operation. The question of the enforcement of clause 17 of the bill has been raised. You may be able to lead a horse to water, and you may even drag one to water, but you cannot make it drink.

Apparently we have had 11 disruptions in the post office over a fairly short period of time. Have you ever thought that perhaps

it is time to develop a new strategy as to how to approach these negotiations? This strike has been devastating. It is devastating to the small businesses of this country. It has put in turmoil various charitable organizations. The result of this strike is just horrific. With 11 disruptions over a period of 20-odd years, there must be a better way. Have you ever given any thought to that, and is there anything in the process to make that happen?

Mr. Clermont: Of the 11 disruptions in the last 18 years, two were in the same week — the disruptions in 1987, 1991 and now. Since the corporation was formed, there have been three disruptions. In 1987, there was one union representing the letter-carriers and another one representing the inside workers. They both went on strike. That was two strikes, if you will, but one work stoppage.

I tried to explain a while ago that, yes, we do have a strategy, which is to work with our employees and work on employee relations. We want to provide more job satisfaction and more opportunities for all of us to grow in the corporation. That is why we have given so much money to training. I know many colleagues who want to become sales people or move up in the organization, and we want them to have an opportunity to do this.

Once more, it is very important to distinguish between employee relations and labour relations. Our labour relations are not good. I will be the first to admit that. However, I think we have made major progress in the area of employee relations.

Senator St. Germain: Perhaps the employees should be viewed as shareholders rather than employees. I am not about to tell you how to run your business, but obviously we have serious problems. I hope we can do something.

The Chairman: On your behalf, honourable senators, I wish to thank the witnesses, Mr. Clermont and Mr. Poirier, for their participation in our deliberations this evening.

• (2010)

Senator Carstairs: Honourable senators, I would ask that Deborah Bourque, 3rd National Vice-President of the Canadian Union of Postal Workers, and Geoff Bickerton, Director of Research for CUPW, be invited to participate in the deliberations of the Committee of the Whole.

Senator Lynch-Staunton: Before the witnesses are heard, we were under the impression, although perhaps an incorrect one, that the head of the Canadian Union of Postal Workers would be with us this evening. Was an invitation sent to him?

Senator Carstairs: My understanding is that the invitation was extended and that the witnesses before us tonight have been sent on his behalf.

The Chairman: In thanking Ms Bourque for appearing here tonight, perhaps I could ask if there are any reasons why the president could not come personally. Of course, we welcome you.

Ms Deborah Bourque, 3rd National Vice-President, Canadian Union of Postal Workers: I want to thank the Senate for the opportunity to appear today, and also for the time and the thoughtfulness that you have invested in the discussion on this legislation.

I would like to begin by talking briefly about the back-to-work legislation and then about a number of sections in the legislation which the union finds particularly abhorrent. I will then conclude by providing you with a bit of background to our negotiations and this legislation. We would be more than happy to answer any questions you may have.

First, the bill is a fundamental betrayal of workers' rights. Under Canadian law, postal workers have collective bargaining rights. Postal workers have had these rights seriously violated. People in this country ought to be concerned about the erosion of basic rights in Canada, be it the removal of the right to strike or the pepper-spraying of students who are simply protesting human rights abuses. I suggest that the abuse of basic rights is becoming far too routine in this country, and that it is time we told our government that we will not put up with this ritual abuse of our basic rights.

As if having one's basic rights abused is not enough, the government has added some particularly nasty and unusual sections to the back-to-work legislation before you. These are sections which we would like you to consider amending.

We would like an amendment which eliminates the legislated wage offer in clause 12. It amounts to about \$1,000 less than the employer's last offer over the three-year term. Ideally, we would like you to consider eliminating the clause which imposes wages because it is fundamentally unfair. The government owns Canada Post, and stands to directly benefit by imposing a low wage offer. At the very least, the wages should not be less than the last offer on the table: 1.5 per cent on August 1, 1997; 1.75 per cent on August 1, 1998; and 2 per cent on August 1, 1999.

I should also like to point out that postal workers have fallen very far behind in wage settlements since the mid 1980s. Between 1984 and 1996, the consumer price index rose by 53.1 per cent. During the same period of time, a mail handler's wage — a representative classification — increased by only 35.2 per cent. Workers in comparable sectors of the economy saw their wages increase by 44.8 per cent in transportation and communications; by 46.5 per cent in public administration; and by 58.2 per cent in manufacturing. The source for those statistics is Labour Canada.

We would also like an amendment to clause 10 of the legislation. This clause denies the union legal recourse to challenge the appointment of the arbitrator, even if it is someone who is well known for being anti-union, or who does not have the skills required to arbitrate this settlement.

I would like to conclude with a bit of background through which I hope to provide you with an understanding of why we ended up here today. We believe that what started in our negotiations and ended with this legislation was scripted from start to finish. First, the government had a review of the post office. The review was chaired by George Radwanski, Jean Chrétien's former speech writer. The review recommended

annual cuts to labour costs of \$100 million to \$200 million. This recommendation was based on two so-called independent assessments, but the studies were far from independent. For example, the study by Gordon Ritchie was based on Canada Post information. Ritchie even said in his study: "I do not have the expertise in labour contracts required to present an independent assessment of these calculations."

During the review, the Canadian Direct Marketing Association called for even higher cuts of \$350 million. The CDMA also asked the government to consider imposing legislation to reduce Canada's labour costs, as it did with railway workers in 1995, and the government agreed to do this.

John Gustavson, president of the CDMA, said in a memo that the minister responsible for Canada Post promised to introduce back-to-work legislation in the event of a strike. Mr. Gagliano has denied that he promised to legislate postal workers back to work, but Mr. Gustavson has confirmed, as recently as in Saturday's *Globe and Mail*, that Mr. Gagliano made this promise.

Essentially, the government is using every trick in the book to ensure that they get unjustified cuts to labour costs — a review conducted by an old friend of the party, bogus studies, and back-to-work legislation.

In case it is not clear, our negotiations and this legislation are all about who gets what from Canada Post. The Liberals want Canada Post to cut costs and make more money so that the government can get dividends, and so that it can give its friends in big business some of the lowest postage rates in the industrialized worlds. Forget about basic collective bargaining rights; forget about investing in post office jobs; forget about expanding postal service. This is about greed.

In our negotiations, postal workers were calling on Canada Post and the government to take a different approach. The CUPW wants the corporation to use any profits it makes to expand service to the public and create full-time jobs in our communities. We have realistic proposals to convert already existing part-time, overtime and temporary hours into full-time positions. We think that the union's proposals to preserve and create jobs are a reasonable approach in a world where some people have too much work while others have little or no work at all. Given that neither the economy nor the government seems capable of creating decent jobs for Canadians, we hope that you will consider supporting our fight for jobs and the future of public postal service by opposing this back-to-work legislation or, at the very least, by agreeing to the amendments that we have suggested.

Mr. Geoff Bickerton, Research Director, Canadian Union of Postal Workers: I have only a few very specific points about wages to add to what Ms Bourque has already said. I have been here since three o'clock today, listening to the proceedings of this committee. It is very important that a few things be clarified. I only wish that you had more time to investigate the matter and go through the documentation. The documents speak for themselves. The application of a wage increase is not a matter for a subjective opinion; it is a matter of fact. Let us look at the facts. Today you have been told by the Minister of Labour and the minister responsible for Canada Post that CUPW members received a 2-per-cent increase in February of this year. I only wish that were true. All postal workers wish that were true.

Let us look at what really happened. In 1995, we negotiated a collective agreement with Canada Post for a period of two and a half years from February 1, 1995 to July 31, 1997.

• (2020)

The wage portion of this collective agreement was as follows. Beginning on February 1, 1995, there was a zero-per-cent wage increase but we were paid \$718 in a lump sum. Our annual income in that year was comprised of \$718 lump sum plus our wages, for a total of \$36,322.

The next year, February 1, 1996, again we received the same lump sum and, again, there was no increase in our wages. Our annual income was \$36,322.

Beginning February 1, 1997 — and you have been told that we received a 2-per-cent increase — the lump sum was eliminated. We did not receive a lump sum cheque. The amount to which it corresponded was folded in or incorporated into our wages. Our wages went up to 35 cents but we did not receive a lump sum. Our annual income is \$36,334 — a grand increase of \$12. That is only because it really was 34.6 cents and was rolled up to 35 cents.

We did not receive a 2-per-cent increase this year. The people who have been suggesting that in this house are wrong. They are either mistaken or they were duped by the public relations exercise that Canada Post engaged in when they placed their full-page ads in the newspapers. That was before they changed their wage offer.

What did they do when they changed their wage offer? They increased the offer to 1.5, 1.75 and 2 per cent, but they changed the date of application from February 1, 1998 for the 1.5 per cent to August 1, 1997. They moved it up, but this legislation moves it back.

I have with me a document that I received at the bargaining table from Mrs. Pierrette Richard of Canada Post, in the presence of Mr. Poirier, who was here earlier. It is very simple. It is a simple document. The wages are made applicable on August 1.

What difference would that make for a postal worker? By shifting that increase from August 1 to February 1, this year we will lose \$272. Next year, by shifting the 1.75 from August 1, 1998, to February 1, 1997, we will lose \$323.49. The following year, with the combination of moving the 2 per cent to 1.9 per cent and shifting the date from August 1, 1999, to February 2000, we will lose \$396.53. For a full-time worker in the post office, that is a loss in three years of \$991.

You have to ask yourself: If that is not vindictive and if that is not punitive, what is? It is one matter to place before this house a piece of legislation designed to get the post office working again, but it is a very different matter and it is a sad day when, in order to get the post office working again, the government of this country introduces legislation that penalizes the individual

workers — workers who will be carrying those Christmas cards in subzero temperatures across this country. That is what this law does. It deprives us not only of our collective bargaining rights but also penalizes the individual 45,000 workers — men and women who deliver, sort and process the mail day in and day out.

You must ask yourselves: Why was that done? Why were you told by ministers of the Crown that we received a 2-per-cent increase this year? I challenge anyone to find that money.

Senator Lynch-Staunton: I certainly agree that clause 12 is punitive and unfair. I would be happy to move an amendment, but our numbers on this side are not strong enough. If I can find a seconder on the other side, or if you can convince them before you are through, I will be glad to follow through.

I feel that while wage settlements have been imposed in back-to-work legislation before, it is wrong to do so. I also feel that the mediator-arbitrator has powers which are extraordinary and that, in effect, remove the employer and employee from the negotiating table overall. That speaks to the whole collective bargaining process in this country, which must be reviewed and brought up to date.

I will not get into that except to sympathize with you. Unfortunately, it is all I can do with regard to clause 12 — that is, unless you can get someone on the other side to stand up and agree.

Senator Stewart: Can you not get a seconder on your own side?

Senator Lynch-Staunton: Yes, and we will get the bodies out to vote in favour of it, too!

Can you tell us about job security in your union? There is job security. How strong is it? Can a worker be laid off, or can he only be removed for cause or because of retirement or mutual agreement? There is an off-set to what you consider are unfair wages or too low wages in benefits, particularly in job security, is there not?

Ms Bourque: You are right, despite the fact that many of our collective agreements have been imposed by back-to-work legislation over the past couple of decades. That, coupled with the fact that we have been negotiating things like job security rather than substantial wage increases, is one of the reasons our wages have not kept pace with inflation and our members have lost purchasing power.

We do have job security in the collective agreement for all regular employees. That job security is not jobs for life as it has been described by the media. The job security exists during the life of the collective agreement. Every time you go back into negotiations to renegotiate the provisions of your collective agreement, job security is back on the table as it is back in this round of bargaining.

We also have 9,000 employees in Canada Post, members of our union, who have absolutely no job security whatsoever. Those are temporary workers, many of whom have worked for 10 years for Canada Post not knowing from one day to the next if they will be called back in. They spend their lives sitting by the telephone. They have no job security. In fact, they were laid off prior to the strike.

The no lay-off provision also provides that Canada Post can relocate employees within a 40-kilometre radius.

Senator Lynch-Staunton: That is not objectionable, is it? Is it objectionable to be relocated to within a 40-kilometre radius?

Ms Bourque: We have agreed to that provision of the collective agreement.

Senator Lynch-Staunton: I am sorry that Mr. Tingley is not here, because we have heard him too often now calling for civil disobedience, telling us that when the postal workers go back to work they can ignore proper stamping of envelopes and misdirect the mail. How can your union, which, Ms Bourque, you just told us feels that this law is a betrayal of workers' rights betray the Canadian people by such disrespect for the rule of law, which is fundamental to our society even to those who feel they are penalized by it? If we abandon that concept we are heading for anarchy, are we not?

• (2030)

Ms Bourque: Members of CUPW have no intention of betraying the people of this country. We will go back to work. However, our members will not go back to work happy. They will not go back to work feeling any great loyalty to the corporation. They will go back to work feeling extremely frustrated. That is what happens when you deny workers their basic rights.

Our quarrel is with the federal government; our quarrel is with Canada Post Corporation; and our quarrel is, by extension and their involvement in our negotiations, with the Canadian Direct Marketing Association.

We have no quarrel with the Canadian public. In fact, many of us in the union at all different levels have worked very hard for at least the past decade to develop a relationship with the public based on our struggles, not just for jobs in the community, but for expanded service to Canadians. We have worked hard for that and have no intention of seeing that destroyed. We do not intend to inconvenience or disrupt the lives of ordinary Canadians. In fact, we made additional efforts during our strike to volunteer to work during the strike, even the first day of the strike. I want you to imagine how awkward and difficult that was for postal workers. We made that effort to volunteer to deliver pension cheques and socio-economic cheques because we know that we do not have a quarrel with the Canadian public. We know where those lines are drawn. It is not our intention to do that.

Senator Lynch-Staunton: I hope we agree on where the lines should be drawn. When you had some of your workers going

through banks in Ottawa just a few days ago knocking over customers, and when you closed down the airport in Halifax and blocked roads elsewhere, how can you now convince us that all of this is to be forgotten, that you will go back to work and follow the rules, and that the Canadian public will not be inconvenienced? I will be inconvenienced, as will all of us, if you do not see that we put proper postage on envelopes. That will mean a loss of revenue, which will mean additional costs in the future. What do you think you will achieve by this call to not respect the rules of the game? Whether we approve of the rules or not, they are there and must be abided by. We can spend our time trying to change them, but as long as they are there, they must be abided by. We are told that some direct mail may be addressed to Vancouver but that it may end up in Taiwan and that that is too bad. Do you think the Canadian public can accept that attitude no matter how unhappy, frustrated and how disenchanted the workers are?

I can sympathize with that. I find this kind of legislation onerous. I do not like participating in it. This is the fourth bill of this kind that we have had to deal with. We had one bill relating to the dock workers, two rail strikes in two weeks, and now this bill. The whole concept is wrong. You should not be in here; you should still be at the table with the employer, with fair and open bargaining. I sympathize with you when you have the whole weight of the Canadian government, as the major shareholder, having the edge over you.

That being said and done, in return, some self-discipline must be imposed. I find that Mr. Tingley is not helping matters with his calls for, in his own words, "civil disobedience."

Ms Bourque: I have been here since three o'clock, so I have not heard any announcements or media reports about postage. I cannot comment on that.

Senator Lynch-Staunton: We will leave it at that. You are here to be questioned, but I had to get that out of my system. I am sorry Mr. Tingley is not here.

Ms Bourque: As am I.

Senator Lynch-Staunton: I am waiting for someone on the other side to make the proper amendment. If that is done, we will certainly offer our support.

Senator St. Germain: We just heard representatives of your employer. They pointed to excellent employee relations and very poor labour relations in the post office. Could you comment on that?

Ms Bourque: I did not hear all of their presentation. I did hear Mr. Clermont talk about the excellent employee relations he has on a one-to-one basis and about the thousands of letters he receives from postal workers on a regular basis. As an officer of the union, I tend to receive copies of some of those letters and I can tell you that they are not all congratulatory on his wonderful and benevolent employee relations.

We have had the largest participation on the picket lines in this strike than we have ever had as a union. Unions rarely get 100-per-cent participation on their picket lines. This is the most overwhelming participation that we have had by rank and file members of this union.

I do not think one can separate employee relations and labour relations. If, as an employer, you recognize that a bargaining agent has the legal right to represent your employees, then you ought to have the same respect for that bargaining agent as you have for the employees who work in your corporation.

Senator St. Germain: We also discussed with them the fact that Canada Post is now viewed by the main shareholder, the government, as having to be a profit centre. In view of the competition, has your side accepted this as a fait accompli and as a fact of life with which you have to deal?

Ms Bourque: We believe that the mandate of the Canada Post Corporation, as enacted in the legislation in 1981, is still the correct mandate for the corporation. It does not call for dividends for the government or profitability; it calls for financial self-sufficiency. We believe that was appropriate in 1981 when it was a drain on the taxpayer; and we believe that is also an appropriate mandate now when they are making hundreds of millions of dollars in profit.

We believe that the profit Canada Post makes should be put back into expanded services to Canadians such as expanded door-to-door delivery and new technology such as public access to the Internet at Canada Post facilities. Those are the kinds of service expansion initiatives that we think the profits ought to be turned back into.

I know that reference was made to Mr. Radwanski's report on the Canada Post Corporation. That that was one of his recommendations. He did not buy the idea of a dividend payment to the government. He thought profits ought to be put back into expanded services.

Senator St. Germain: Do you agree that the shareholders should have the right to determine whether it is a profit centre or a just a viable operation that breaks even?

Mr. Bickerton: I do not know how many of you have the Canada Post Corporation Act, but it speaks to this issue. It speaks to the issue in section 19(2). For those of us who were around from 1978-81 during the debates, you will recall there was a section inserted at the behest of the large volume mailers.

For those of you who are unfamiliar with that section, I shall read it. The answer to your question, senator, is to be found in the act. Remember, this act received unanimous approval by all parties in the House of Commons and was also approved by the management and the unions. The act states:

The rates of postage ... shall be fair and reasonable and consistent so far as possible with providing a revenue,

together with any revenue from other sources...sufficient to defray the costs incurred by the Corporation in the conduct of its operations under this act.

In other words, the act itself is framed in such a way that Canada Post should not have to borrow. It should not have to take from the public purse. It should not have to draw from the finances of the country. It should be totally self-sustaining to pay for the new technology.

• (2040)

However, it is very clear that it was never an intention of the drafters of the act to pay dividends to the government. As a matter of fact, the large volume mailers of the day insisted that section 19(2) be in there because they did not want the post office to become a cash cow whereby their rates of postage would be funnelled back to the government.

We agree Canada Post should pay its own way, but if you are asking if Canada Post should pay its own way and then also be a secret generator of endless dividends and taxes for the federal government, we say, "No, the act is clear." The act says it shall be financially self-sufficient. The act says that rates should not be set at a rate higher than is necessary to conduct the operations.

Senator St. Germain: Based on that premise, then, I can see — and everybody should be able to see — why we have a problem. You were here, Ms Bourque, when we were told it is to be a profit centre. If this is not negotiated or mitigated or dealt with, is it any wonder that we have arrived at this point? I am not taking either side in this. If the government decides it is supposed to be a profit centre, that is one thing. If it is not, then that is another issue. However, if there is one party saying that they believe that it is basically just there to subsist and another saying it should be a profit centre, we have a major problem in the country. I am concerned because, in spite of what Ms Bourque and others are saying, there is a great deal of animosity out there. You will become as unpopular as politicians if you keep this up.

I am totally disappointed in clause 12. If the government wants to do this, they should at least have put it in the same terms as what they had offered you. This is incredible. I know the job that you will have in taking this back to your membership.

I am going to close by pleading with you. You have come before us. This is what Canada is all about: The Senate, Parliament, is the court of last resort. I would hope that somehow you can reach your people in such a way that they will be rational in dealing with this legislation. I hope we will never have to deal with this sort of thing in this way again. Forcing you to accept this, by way of legislation, through clause 12, is a recipe for disaster.

I urge you to speak to Mr. Tingley. You have not told us yet why he is not here. If you are not going to tell us, I will respect that decision.

Ms Bourque: I will explain, I am sorry.

Senator St. Germain: Several people have asked you, Ms Bourque, but you have not answered the question. You have done an excellent job of avoiding it until now. I am more concerned about your going back to your membership and making certain that they do not violate the laws of the land. Your initial statements regarding a fundamental violation of basic rights equates, I believe, to people upholding the law.

Ms Bourque: I want to clarify, I am not trying to duck any questions or hide anything. I could not hear from that end of the room when the chairman was speaking.

We only found out at noon today that it was possible for us to appear before you. We were very anxious to do so. At the same time, we had already scheduled a press conference for four p.m. to announce that our members would be complying with the back-to-work legislation and returning to work. It was absolutely essential that Mr. Tingley be the spokesperson at that press conference to make that announcement. So I was dispatched here to make this presentation before the Senate. That is the only reason Mr. Tingley is not here.

Senator Forest: Thank you for coming and allowing us to question you on these issues.

Several references have been made to the fact that the wage offer that is stipulated in the legislation is less than that which was put on the table by the corporation during the negotiations. I am wondering about the reasons for your not accepting that offer. Was it because you considered that offer too low, or was it because of working conditions that might have been attached to that offer? I would like to know that.

Mr. Bickerton: I would like to give you a complete answer, if I can, senator. You recall the weekend before we went on strike, which I believe was the weekend of November 14 or 15. The employer's chief negotiator was out of town, as were some of their senior staff. We managed to complain about that quite a bit, and Mr. Clermont and Mr. Tingley talked and it was decided on the Monday morning to try some exploratory talks. We decided to see if we could come to an agreement on the major issues, and if we could get a general agreement on those, we would attempt to restart full negotiations with all the subcommittees.

We decided we would deal with four issues. Wages was the fourth. We would only get there if we had agreed on the other three, if we had reached what we thought was the basis of an agreement. We eventually did get to wages. We got to wages on the afternoon of November 18, and at that time we presented a new wage proposal to Canada Post Corporation. We lowered our wage demand. We were very clear that this was not our final offer, that we were willing to negotiate. We were very clear on that. We went down to 3 per cent and 3 per cent.

Management said they would go away because there were the other issues to consider as well.

Mr. Tingley held a press conference that night at 8:30 p.m. in which he said that things were very positive. You may have seen

it on television. He said that we expected to be going back to talks. At 10 p.m. that evening, Canada Post said publicly that talks were over. We were genuinely confused. We had not heard that from them. There had been a bit of a pattern by Canada Post of announcing its position in the media.

Later on that evening, when our chief negotiator went up to talk to the Canada Post people about what was happening, he was assaulted. He was assaulted by two individuals.

On the following morning, we received a call very early, saying they then had a mandate to talk to us. That was good. We were happy. We went to that meeting. At that meeting Mr. Poirier emerged as the chief negotiator. It was at that meeting that this piece of paper was given to us. There was basically no explanation. The wage proposal is completely straightforward. We asked one question: Did this constitute the entire wage and monetary package? We were told, "No, this is simply the wage proposal." There were no conditions added at that time, and it was very clear that this was not being presented to us as a final offer, as a take-it-or-leave-it type of offer.

Subsequent to that, later on that evening, we found ourselves in a situation where Canada Post reneged on a commitment that had been made when Mr. Lafleur was the chief negotiator, and the talks basically stalled around our attempt to revive where they had been and the momentum that had brought us close to a settlement. You will recall that Mr. Gagliano said in the House of Commons that we were very close. He believed we were very close. Mr. Tingley said publicly, at 8:30 p.m. the night before, he thought that negotiations would start again. I know, I was there. I was there for seven months during these negotiations.

I can tell you exactly what happened at that meeting. The wage offer was given to us, and it was clear that management was doing exactly what we had done the afternoon before. We had presented a new offer. They presented a new offer. It was our belief that we were going to go back and make another counter-offer, because we expected at that time that full-blown negotiations with all its various subcommittees would commence.

• (2050)

Senator Forest: We did hear this afternoon that one of the reasons talks were broken off was because they expected the union to come back with other conditions on which the union had not moved. At any rate, we have heard from both sides.

We have been told that, for Canada Post, labour costs run to 63 per cent of total costs. Have you any concern that wage demands might be such as to make the corporation financially non-viable or non-competitive? That is a problem which could result not only in loss of jobs but in the corporation going down the drain. As was mentioned earlier, it is not enough to just break even. You must have an edge if you want to make updates in technology and to keep the corporation competitive. Has that been a concern of yours?

Mr. Bickerton: I wish you had more time to deal with this; it would be a very good discussion. Perhaps justice would be done. I hope justice would be done.

Senator Nolin: Take all the time you need.

Mr. Bickerton: On Saturday, November 22, we provided Mr. Porier with these documents. They represent a complete analysis of our wage proposals and all of our other demands and our analysis of the costs based on a 3 per cent wage increase and also based on a 2 per cent wage increase. If they came back with 2 per cent, we wanted them to know how much it would cost.

We provided that to Mr. Porier. We asked them to come back with an analysis to indicate where we were wrong. They have never disputed these figures to date.

These figures show that, with a full 3 per cent and our full COLA, Canada Post would still have almost record profits this year, in excess of \$100 million.

If you are asking whether we have dealt with this issue with the employer, the answer is yes. If you are asking whether we are concerned about it, the answer is also yes.

We heard through the media a few weeks ago that our demands would cost \$400 million and raise the price of postage by 20 cents. We have no idea where that came from. Subsequently, we learned from people working in the corporation that it was based on a three-year collective agreement. We had never made proposals for a three-year agreement. They based it on 16-per-cent wage increases and on a whole range of assumptions which we have now had the time to discuss with them. Some things they got wrong in a very big way.

If you are asking whether our proposals have bankrupted the corporation or made it non-competitive? The answer is no.

Senator Forest: Thank you. It is very difficult when we hear two completely perspectives on this.

Mr. Bickerton: Perhaps you can take the time and we can go through this.

Senator Murray: Mr. Chairman, I would like to take the witnesses through several questions that we covered with other witnesses today.

Leaving aside your views about Mr. Radwanski's partisan political background, which we all acknowledge, what is your view of his finding that Canada Post is often meaningfully supervised by no one because of being supervised by so many authorities? He has other things to say about that. You have probably read the report. What is your view?

Ms Bourque: Mr. Radwanski had quite a few things to say about Canada Post in terms of their management practices, transparency, levels of accountability, and so on. We preferred to focus on some of the other issues of more direct concern to us,

such as the issue around labour costs and his analysis that the collective agreement was too rigid. Those were real concerns to us.

We had also spent a lot of time thinking about some of the other recommendations in his report. With respect to that one, I do not know if I have ever even thought about it. My apologies.

Senator Murray: You have been involved with Canada Post for some considerable time. I do not know whether, in your union career, you have had experience with other companies. I just wondered what your experience was with Canada Post. Do they have the required autonomy to make the kind of decisions that management would normally make, say, in terms of a collective bargaining process?

Ms Bourque: We have found, particularly in this round of bargaining, that the process is incredibly frustrating. Perhaps that explains why negotiations dragged on for so long with no real results. Obviously that is why we are here. The fact is that Canada Post did not have a real mandate to negotiate. They had a directive from the federal government that they were to pay \$280 million in dividends over the next five years to the federal government and that they were expected to reduce their labour costs by \$200 million in order to finance those dividends. That was the mandate within which Canada Post was negotiating at the bargaining table.

Issues that perhaps could be resolved between the parties — operational issues, work rules, real working conditions, bread and butter issues — tended to get side-tracked by the fact that Canada Post did not have any autonomy at the bargaining table to negotiate. We kept asking for them to go back and get a mandate from the federal government to actually negotiate a collective agreement.

Senator Murray: What mandate are you talking about? What directive are you talking about? I am aware there was a directive that they must be a profitable corporation. You say that the federal government quantified that to the extent of \$280 million and that the federal government went beyond that to say that they were to finance it in part by reducing their labour costs by \$200 million. Where is that directive?

Mr. Bickerton: You should compare the most recent five-year plan, which came out before the election in 1996, to the 1995 plan. On the plan from which they are currently operating, Canada Post is told to increase their dividends from \$122 million to \$204 million. They were told to increase their income tax payments from \$54 million to \$131 million. In other words, the government was going to increase its take by \$150 million.

Canada Post had already told all of the large corporate mailers that there would be a rate increase of one cent per year, according to the 1995 plan. The government ordered them to go back and tell their customers that the increase would be only two cents over the next five years. Compared to the previous five-year plan, that reduced estimated revenues by more than \$300 million.

The government increased the amount which Canada Post will pay back to the government. They reduced their ability to raise revenue by \$300 million. They caused a crisis. Canada Post could not raise their revenues. They had to provide more dividends to the federal government. Where else can they look but to labour costs?

Senator Murray: Are you saying that the directive, as you call it, to reduce their labour costs by \$200 million is implicit in the overall directive?

• (2100)

Mr. Bickerton: Following that, Mr. Clermont started making public statements about reducing labour costs by \$200 million.

We pieced the puzzle together and we very easily drew that conclusion. The government put Canada Post management into a complete bind. It was the government that effectively created the crisis that could only be solved by them attacking the labour costs.

Senator Murray: Do you think that there is a contradiction between the public policy mandate of the corporation and the commercial mandate? Do you think that the two are achievable?

Ms Bourque: Canada Post is and should be, first and foremost, a public service. I believe that it has a very important public policy role to play. Contrary to current discussions during the postal dispute, it has an even more important public policy role to play today than it has had in the past.

Whether or not that is contradictory to a commercial mandate depends upon the financial targets that are set as part of that commercial mandate. If the financial targets are to be the same financial targets as those of a private commercial enterprise, then you will have problems. There is then a profit motive rather than a service motive. In a country the size of Canada, that creates real problems, particularly to those Canadians living in rural communities.

If the financial targets were reasonable, Canada Post could make a reasonable profit and still provide the level of universal services mandated under the Canada Post Act and this would even allow some of that money to be put back into new and expanded services for Canadians.

Senator Murray: What would you say to Mr. Radwanski's recommendation that the government direct Canada Post Corporation to withdraw from all competition with the private sector in areas of activity outside its core public policy responsibilities for providing postal services? Have you thought about that? Are you familiar with that recommendation?

Ms Bourque: Yes. The whole competitive nature of Canada Post was a major focus of the Radwanski review.

Senator Murray: His recommendation is that the government direct Canada Post to withdraw from all competition with the private sector in areas of activity outside its core public policy

responsibilities for providing postal services. What would you say to that?

Ms Bourque: I would disagree with that recommendation.

Senator Murray: I take that to mean that Mr. Radwanski would have Canada Post focus on its public policy responsibilities rather than on competing with its private sector providers in other areas. Do you oppose that?

Ms Bourque: If what Mr. Radwanski meant is that Canada Post, for example, should get out of priority courier services, then I would disagree completely with that. That is a competitive area in which Canada Post is engaged. That contributes to Canada Post's public policy role because priority courier provides service to rural communities where Canada Post competitors do not necessarily provide service. Canada Post should be permitted to stay in that area.

Last fall the government made a decision to take Canada Post out of the competitive area of the unaddressed ad mail delivery business. Not only did that cause severe unemployment, it caused an increase in the unemployment rate, by laying off 10,000 ad mail workers. That took a revenue-generating service out of Canada Post. The government took a service away from Canadians and decent jobs away from the economy.

I do not think competitiveness should be Canada Post's driving force. It obviously has basic letter mail services to concentrate on, as well. However, if Canada Post can generate revenues and provide services, in particular to those areas where a basic private sector courier company is not prepared to go, then Canada Post should be permitted to stay in those competitive areas.

Senator Murray: You would not agree with a regime in which Canada Post simply concentrated on those activities that could not be effectively provided by the private sector; is that correct?

Ms Bourque: That is right.

Senator Murray: For the record, would you tell us why you would oppose the out and out privatization of Canada Post? We are familiar with the public policy arguments, but in terms of your membership, why would you oppose privatization of Canada Post if that were possible to achieve?

Ms Bourque: The privatization of Canada Post would result in a decrease in service to Canadians. A private company would not continue to provide universal postal service to every community in this country at the same postage rate; it just simply would not happen.

Therefore, privatization of Canada Post might not hurt you if you live in downtown Toronto. However, if you live in one of the many rural communities in this country, then you would be severely hurt by privatization. You would not receive the level of service, and you would surely not have a 45-cent postage rate.

Mr. Gagliano can say he is not going to privatize Canada Post in 16 different languages, but if he is talking about privatization or commercialization, it means the same thing to people. If you take the public service aspect out of Canada Post and replace it with a profit motive, then service to Canadians will suffer, services will decrease and postage rates will increase. That is why we are opposed to privatization.

Senator Kinsella: Did you receive an invitation to appear before the House of Commons concerning this bill?

Ms Bourque: No.

Senator Kinsella: When you were at the table attempting to negotiate a collective agreement, who did you think you were facing on the other side of the table, was it simply the corporate bargaining team from Canada Post, or at times did you think you also had the management of Canada Post sitting there? At other times did you feel you had the board of directors of Canada Post at the table as well? Did you ever think that you had the Minister of Public Works and Government Services or the Minister of Labour on the other side of the table?

Ms Bourque: It was often more crowded than that. We thought for a while we had John Gustavson and Catherine Swift at the bargaining table with us as well.

Senator Kinsella: Let me turn to John Gustavson. He is the president of the Canadian Direct Marketing Association; am I correct?

Ms Bourque: Yes.

• (2110)

Senator Kinsella: In testimony before this Committee of the Whole we have learned that a meeting took place on August 6, 1997 between the Canadian Direct Marketing Association and Minister Gagliano, and about a memorandum, to which you have alluded, written by Mr. Gustavson. Do you have a copy of that memorandum?

Ms Bourque: Yes, we do.

Senator Kinsella: Would you read that memorandum into the record, please?

Mr. Bickerton: Shall I read the whole thing or only the parts which talk about the back-to-work legislation?

Senator Kinsella: Only the pertinent part which speaks to the minister's assertion, according Mr. Gustavson, that the postal workers would be legislated back to work in seven days if there was no collective agreement.

Mr. Bickerton: The date of the memo is August 7. The author is John Gustavson. It is regarding a meeting between Alfonso Gagliano, Minister Responsible for Canada Post; Jane Billings, who I think was here earlier, from the Consulting and Audit

Branch; Pierre Tremblay, Executive Assistant; Allan Levine and John Gustavson.

It reads in part as follows:

3. The Minister also pointed out that once the conciliator's report had been received by the Minister of Labour there is no time limit on the Minister to respond to the report. The Minister also mentioned that it would be an option for the Minister of Labour to order a new round of conciliation. (Assumption: The government would again re-emphasize to the Union the requirement to change work practices in order to give a second round of conciliation any chance of working.)

4. If all conciliation fails the government will allow a strike to occur. I —

— meaning Gustavson —

— indicated to the Minister our views that the right to strike was fundamental and should not be taken away from postal workers as a general rule. I argued strenuously, however, that there were special circumstances in this case that dictated that with the failure of conciliation no solution would be possible without government intervention. The Minister indicated adamantly that the government felt the right to strike was so fundamental that it would not take away that right prior to a strike. I tested the strength of the government's viewpoint in a number of ways but the Minister remained firm that it would be the policy of the government to allow the strike to begin.

The Minister stated that the strike would be very short and that back-to-work legislation would be quickly introduced. The Minister suggested it would take a minimum of eight days to pass legislation and that assumes that, although there would be opposition to the legislation from some opposition parties, there would be no obstruction tactics by the opposition. The Minister asked for our help in persuading the opposition not to block the legislation.

The Minister indicated that they will not allow the Union to walk away without taking responsibility for a strike, even though it would be short, and that this time government cheques would not be delivered by postal workers during a strike but by an alternative but unidentified delivery service already secured by the government. (Our conclusion: The government intends to hold the Union leadership's feet to the fire because even a strike will ultimately not change the government's determination to get work practices at Canada Post in line with the private sector.)

I think that is the relevant portion.

Senator Lynch-Staunton: That is more than enough.

Senator Kinsella: That is very helpful. Thank you for that.

I will return to some specifics. That provides us with a bit of an indication as to the backdrop against which collective bargaining was under way. I should like to have your assessment on who you thought was calling the shots on the government side. Was it the Minister of Public Works and Government Services or the Minister of Labour?

Ms Bourque: We believed it was the Minister of Public Works and Government Services. He was the one who met with Mr. Gustavson. I should point out that the other part of that memo, which is not quite as blatant as the issue of the back-to-work legislation, is the promise that the whole conciliation process would be used to drag out negotiations. There has been much discussion here today about the timing of this strike and the impact that it has on charities, businesses and average Canadians. That was not our doing. We wanted our legal right to strike in August when it would not have had that kind of impact on Canadians, but the minister imposed two conciliation processes, despite the fact that the government has since reintroduced the same legislation that died on the Order Paper prior to the last federal election and that would have eliminated the second conciliation process. He made it clear to the CDMA that he would use that conciliation process to drag out negotiations.

What happened was that the second conciliator he appointed did not follow the script; he did not stick around for several months. He said, "I can't assist the parties, I'm out of here." That resulted in our legal right to strike at this time.

That is one of the more insidious parts of that memo as well. It is clear that Mr. Gagliano was the one who always talked about back-to-work legislation. Every time he mentioned back-to-work legislation, whether in a media scrum or in the House, the brakes went on at the bargaining table. Canada Post stopped negotiating. They had no need to negotiate. They knew they had back-to-work legislation in their back pocket.

Senator Kinsella: Therefore, is it your testimony before this Committee of the Whole of the Senate of Canada that the Minister of Public Works was interfering with the collective bargaining process which properly should have been under the jurisdiction of the Minister of Labour?

Ms Bourque: Yes, and we have actually written and asked for his resignation.

Senator Kinsella: I want to get your evidence before this committee that you believe speaks to clause 12 of the bill; in particular the following: On November 24, you received at the table a wage offer from Canada Post. A few days later, contract negotiations stopped. Legislation is drafted, and in clause 12 of the bill is a wage offer which is less than what was offered on November 24.

Does that raise in your mind a question about the back-to-work legislation, particularly clause 12 which imposes a raise less than

was offered on November 24? What is your interpretation of the time line and why we see in a government bill an offer which is less than the offer made on November 24?

Ms Bourque: I believe that the wage increase that has been written into this legislation is designed to punish postal workers for exercising their legal right to strike.

Senator Kinsella: Did you or any of your colleagues think that that time line might indicate that the back-to-work legislation was drafted before November 24?

Ms Bourque: We would be guessing. We believe that the back-to-work legislation was drafted as early as August 7. We believe that there have been several versions of this legislation floating around at any given time ready to be tabled. We have been very public from the beginning that we believed that back-to-work legislation had already been drafted.

Senator Kinsella: If clause 12 were removed from the bill; in other words, if there were no reference to a wage settlement and it was left on the table as one of the remaining items after negotiations broke down, would that be an improvement to the bill?

• (2120)

Ms Bourque: Absolutely. The whole issue of back-to-work legislation aside, if that clause were removed from the legislation and we were able to take our fair shot before an arbitrator — either in terms of the mediation process in trying to mediate a wage increase for postal workers, or if we got into interest arbitration and got to argue why the wage increase should be there — we would be happy to accept that fair shot before an arbitrator to negotiate a fair wage increase for postal workers, not one that is punitive.

Senator Kinsella: Therefore, you would comply more willingly with the law, being respectful of the rule of law. If clause 12 were not in the bill, the back-to-work mechanism of the bill would still exist. Although we have found some difficulties in the mechanism contained in this particular bill in our studies this afternoon, at least the legislation would be in place. The postal workers would have to return to work, but the matter would be adjudicated through the arbitration mechanism that is involved. Is that something that you would accept?

Ms Bourque: It is something that we would consider at least to be fair and non-punitive.

Senator Gustafson: I am having some trouble — not with the pronunciation of my name but with the numbers.

Earlier today, the minister said that the average wage for a postal worker was \$45,000, if I heard correctly.

Ms Bourque: I believe he said that that was the wage and benefit package.

Senator Gustafson: You indicated here that the average wage was \$36,334. Does that include everyone from the top to the bottom?

Mr. Bickerton: In our bargaining unit, it does not include George Clermont. I think he would raise the average considerably.

Senator Gustafson: But it includes the average worker. You also indicated that because of the roll-back of time, instead of gaining 2 per cent, you are losing \$900 in three years.

Mr. Bickerton: I am sorry if I did not explain it in a clearer fashion. I meant to say that in the offer from Canada Post Corporation, the increases would come into effect on August 1 of each year. In this legislation, the increases come into effect on February 1 the following year, six months later.

We have not had an increase in our annual income since 1995. With the offer of the employer, we would have received an increase on August 1, and it would have been retroactive to August 1. With this legislation, we will not receive another increase until February 1. It is that difference in each of those three years that will mean, over the next three years, that I will have \$991 fewer to spend.

Senator Gustafson: Were there any negotiations on pensions or other money demands other than the wage rates?

Mr. Bickerton: We have a range of benefits, some of which are monetary benefits. There has been some movement on some of those, for instance, some aspects of our dental plan. In some cases, Canada Post has put proposals forward to reduce the benefit levels. In other cases, we have come to some agreements around some improvements. However, a whole range of the benefit package is not included here. Pensions are covered by the Public Service Superannuation Act, so they are non-negotiable.

Senator Gustafson: I live in a rural area. My understanding is that in our little town the co-op store contracts the postal work, and it is done in that store for probably less money than what it costs to do it in Toronto. It works very well. I can say that I have not had any problem receiving mail. It has not obstructed my farm or my business, or whatever.

You have done a good job, and I compliment you on that. However, a portion of the Canada Post Corporation is privatized, is it not, in that sense?

Ms Bourque: There have always been private retail postal outlets. They have been around since the turn of the century. In early 1980, Canada Post started expanding the private sector retail network. Until the Liberals put in place the moratorium on rural closures, rural communities, particularly in Saskatchewan, were decimated. Thousands of post offices were closed across the country. However, they did have the private sector outlets open. Today, many of those are large, well-operated and well-serviced outlets, but in the early days, and in many of the rural communities, they are still not quite up to standard with a public sector outlet. They are often located in the back of a store, or in the back of a video store or garage, or something like that.

In many cases, Canada Post has put in place new standards so that the private sector outlets are up to standard. In some cases, as they cut back they became even better than the public sector outlets. Privatization or contracting out had a devastating effect on many rural communities, particularly in Saskatchewan and in Quebec.

Senator Gustafson: It also had a positive effect. In many of those small towns, there would not be a post office today, since some of them have only 100 boxes. If it were not for the fact that this kind of arrangement was reasonably costed, we could not be receiving the mail there.

Ms Bourque: In many of the communities where there is no post office, there are no banking services, either. We think there should be postal services and banking services, and perhaps public access to the information highway as well, in those facilities so that they are not just maintaining a few lock boxes but, instead, are providing more services that people in rural communities need.

Senator Gustafson: The reality is that that will not happen in many areas. It is not feasible.

Ms Bourque: As part of the collective agreement which expired, and which we are currently renegotiating, we negotiated a job-creation service expansion project. One of those pilot projects is in place right now in Niagara-on-the-Lake. There is a Canada Post retail office there, and our members staff it. There are computers there and the public can buy time on the Internet. Our members have been trained to help them access that service. That pilot project is working quite well and the people in the community like it. It is protecting jobs, and it is moving Canada Post into the new technologies and forward in a way that we think can be expanded upon. It is especially important in rural communities.

Senator DeWare: Did I hear you say that you have not had a raise since 1995?

Mr. Bickerton: As a result of the rounding off, it is \$12 a year.

Senator DeWare: The minister said twice today that you received a 2-per-cent increase last February.

Mr. Bickerton: The minister was wrong. I will explain it again, if you wish. In 1995, we negotiated a 2.5-year contract beginning February 1. In the first year, we received no increase in wages but \$718 in a lump sum payment. The next year, February 1, 1996, we received another \$718 in a lump sum and no increase in wages. February 1, 1997, we did not receive any lump sum but our wages went up by 35 cents an hour, which represented the amount of the lump sum spread over one year. Our annual income since 1995 has gone up by total of \$12 because of the rounding off of the 34.6 cents into 35 cents. Yes, the minister was mistaken.

Senator DeWare: Can you tell me how many items were in the your bargaining collective agreement?

Mr. Bickerton: How many items?

Senator DeWare: Yes. Was it 300?

Mr. Bickerton: We have 56 articles that might cover separate items, and then we have a range of appendixes at the back.

• (2130)

Senator DeWare: When mediation broke down on November 24, could you tell me how many items were still on the table that had not been signed off?

Mr. Bickerton: In terms of “signed off” and “agreed to,” there is quite a difference in bargaining. Canada Post Corporation stopped signing things off several days before that. We started changing language, but they stopped signing. That can happen when both parties are getting close, but you are not sure if it will all hold together.

As I mentioned before, we thought we were closer on the night of November 18. That was the decisive night. After that, Canada Post management backed off on a very important aspect concerning the letter carrier work rules. We never managed to put those major issues back to them again. We made inroads on some of the minor issues.

Senator DeWare: On November 18, you were down to what you thought was the issue of wages. Everything else was pretty well agreed to at that point.

Mr. Bickerton: The parties were moving on money. We never thought there was a major impasse on the issue of wages. We had been bargaining for seven-and-a-half months. Canada Post only made one wage offer prior to November 19. We had not even begun to talk money.

We came back on the night of November 18 with a new money proposal and were fully expecting a back and forth dialogue that.

I would ask you to appreciate that money is a fairly straightforward issue in terms of bargaining. You make equations and everything is up front. Job security and work rules are much more complex.

Senator DeWare: I realize that.

[Translation]

Senator Bolduc: Honourable senators, my question follows on the questions of Senator Murray. It is not a logical continuation of what Senator DeWare had to say, but it is complementary to Senator Murray’s question.

I may be mistaken, but I believe there is some law or regulation that states that letters cannot be delivered for less than 45 cents. It must cost at least 45 cents to deliver a letter. Is this true?

[English]

Ms Bourque: Yes.

Are you talking about a competitor, someone other than Canada Post? Most products in Canada Post have been deregulated over the years. Only basic letter mail is still regulated. A private company would have to charge three times what Canada Post charges.

[Translation]

Senator Bolduc: Letters cannot be delivered for less than 45 cents in Canada. There is a regulation on this. If that is so, do you feel that disappearance of that regulation would result in individuals or companies delivering letters for less than 45 cents?

[English]

Ms Bourque: No.

There may be companies that would transport letters for less than that in the urban centres, but certainly not outside of the urban centres.

[Translation]

Senator Bolduc: Continuing with the same line of reasoning, if people can deliver letters to Montreal, Toronto, Vancouver, Halifax, Ottawa, Winnipeg, Edmonton, Calgary, just about anywhere in Canada for less than 45 cents, that means that there is cross-subsidization in the present system. In other words, you are making a profit in the cities in order to be able to serve rural areas. Since 90 per cent of people live in cities, would it not be better to say that there is no set price, that anyone can create a company if he pleases and deliver letters at the price that suits him? We have no problem with that. And in places where no one wants to provide service, there will be a public service in order to serve the interests of the public. Mail will be delivered for the 10 per cent of people who live in the country. Does that make sense?

[English]

Ms Bourque: It might make sense if you live in downtown Toronto. It does not make sense if you live outside the major urban centres.

We have a universal postal service in this country, the same as we have a universal medicare service. That is the kind of country we live in, and I appreciate it. We have universal services, whether you live in cities or in rural communities.

Even if the monopoly on first-class letter mail was loosened, that would not mean an automatic decrease in postage rates, even in the major centres. In Sweden, they eliminated the postal monopoly. They now have private sector companies operating in Sweden, and postage rates have increased by 40 per cent.

Senator Lynch-Staunton: I have not heard anyone on the other side challenge your assertion, which we share, that clause 12 is extremely unfair and arbitrary. We will move an amendment to delete it from the bill unless we hear arguments against that at the appropriate time.

However, I wish to make sure you understand that if we are successful — and I am being realistic — it would put the union in the hands of an unknown mediator-arbitrator named by the employer. Are you willing to risk his or her judgment rather than knowing that, by this law, if clause 12 is preserved, you are getting Canada Post's last offer?

Ms Bourque: We are prepared to take our chances before an arbitrator on that question.

Senator Lynch-Staunton: This principle of imposing a wage settlement with numbers and timing makes a mockery of the whole process of labour negotiation in this country.

No matter what government is in power, this has been going on for too long. I feel that in three years we will be back to where we are today if this process is allowed to continue.

Minister Axworthy was here when labour was part of his portfolio. He agreed with everything that we are saying today, but nothing has happened in those two or three years. Surely, someone can come up with a better solution than this. It is a travesty.

Senator Phillips: This is not the first occasion on which I have seen representatives of labour unions appear before this chamber. I would remind the witnesses that, in the past, a number of unions saw improvements to the legislation as a result of amendments originating in this chamber.

This afternoon, I listened to two ministers. This evening, I listened to representatives of the post office. I was not impressed with any of them. However, I am not at all impressed with you.

The Senate has spent almost eight hours of continuous debate in committee of the whole on this legislation. While we were sitting, you announced that you were going back to work tomorrow.

• (2140)

You made that announcement cognizant of the fact that 80 per cent of Canadians were against your actions. Having accepted the legislation and announced you are going back to work tomorrow, you then turn up here tonight and ask us to reject the legislation, at a minimum. If you felt that way, why did not you wait until you appeared before this chamber before making your announcement about going back?

Ms Bourque: It was because we had no idea that the Senate was going to debate this legislation for this length of time. We thought we would be appearing before the Senate at around three o'clock this afternoon. We have been waiting since three o'clock to come before you. We had to notify our members as to what our response to the back-to-work legislation would be. Perhaps it was our naiveté about the process, but we fully expected the legislation to be passed by now, and our members needed to be informed as to what our response to the legislation would be.

We meant no disrespect to the process, if that is what you are implying. We simply wanted to be able to put our views before this body, to see if any amendments were possible. The timing was something that we did not quite understand. Our members needed to be told what we were recommending in terms of a response to what we thought would be legislation that would have been already passed by this time.

Senator Phillips: As I understood your earlier statement, madam, you said you knew this morning you would be appearing before this committee this afternoon. If you had any respect for the Senate, you would have waited before you made your commitment to accept the legislation. I am irritated and annoyed that, having accepted the legislation, you would come in here and ask me as a legislator to change it in your favour. As far as I am concerned, you have accepted it, so stick with it.

Ms Bourque: We have not said that we could accept this legislation. We have said that our members will comply with the legislation, but we certainly do not accept this legislation.

Senator Phillips: I do not think you said your members would comply with it when you said you were offering free postage. I repeat: You accepted the legislation, and as far as I am concerned, you can stick with it.

Mr. Bickerton: In answer to that, we can only say we have come here to ask for justice for our members, and that is why we have asked you to amend clause 12. That will be, I suppose, your decision.

The Chairman: Thank you. Honourable senators, on your behalf, I thank the witnesses, Ms Bourque and Mr. Bickerton, for their appearance this evening.

Honourable senators, the Senate is still in Committee of the Whole on Bill C-24, to provide for the resumption and continuation of postal services. I now intend to put all questions to honourable senators.

First, shall the title be postponed?

Hon. Senators: Agreed.

The Chairman: Shall clause 1, the short title, be postponed?

Hon. Senators: Agreed.

The Chairman: Shall clause 2 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 3 carry?

Hon. Senators: Carried.

[Translation]

The Chairman: Shall clause 4 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 5 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 6 carry?

Hon. Senators: Carried.

[English]

The Chairman: Shall clause 7 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 8 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 9 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 10 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 11 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 12 carry?

Some Hon. Senators: Agreed.

Some Hon. Senators: No.

Senator Kinsella: Honourable senators, I move, seconded by the Honourable Senator DeWare:

That clause 12 be deleted and that the subsequent sections be re-numbered.

The consequential amendment would be:

That clause 13 be amended by dropping the letter “s” after the word section in sentence 2 of clause 13, and deleting the conjunction “and” and the number 12 and furthermore by deleting the number 14 and replacing it with the number 13.

Senator Carstairs: Honourable senators, as a suggestion, perhaps we should deal with clause 12, and then the other affected sections could be dealt with after we have dealt with clause 12.

The Chairman: Before proceeding any further, I should like to deal with the amendment proposed by Senator Kinsella. I refer honourable senators to *Beauchesne's Parliamentary Rules & Forms*, 6th edition, particularly to page 207, paragraph (6) of citation 698 on the admissibility of amendments in committee:

An amendment to delete a clause is not in order, as the proper course is to vote against the clause standing part of the bill.

I suppose the effect is the same. In that sense, the proposed amendment is not receivable. However, if honourable senators wish to oppose clause 12, all they have to do is stand up and be counted as opposed.

Senator Murray: I call for a standing vote, Mr. Chairman.

The Chairman: We will now proceed with a standing vote. Will those honourable senators in favour of clause 12 please stand?

• (2150)

Will those opposed to clause 12 please stand?

Senator Robichaud (L'Acadie-Acadia): Same old gang.

Senator Berntson: Same old gang.

The Chairman: Thank you, honourable senators.

The result of the vote is the following: Yeas, 32; nays, 16.

Therefore, I declare clause 12 carried.

Shall clause 13 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 14 carry?

Hon. Senators: Carried.

[Translation]

The Chairman: Shall clause 15 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 16 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 17 carry?

Hon. Senators: Carried.

[English]

The Chairman: Shall clause 18 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 19 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 20 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 21 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 1, the short title carry?

Hon. Senators: Carried.

The Chairman: Shall the title carry?

Hon. Senators: Carried.

The Chairman: Shall I report the bill without amendment?

Some Hon. Senators: Agreed.

Senator Lynch-Staunton: On division.

The Chairman: On division.

Thank you, honourable senators.

The Hon. the Speaker: Is it your pleasure, honourable senators, to adopt the motion?

MOTION IN AMENDMENT

Hon. Noël A. Kinsella (Acting Deputy Leader of the Opposition): Honourable senators, I move:

That Bill C-24 be not now read the third time, but that it be amended as follows:

(a) on page 5, by deleting clause 12;

(b) on page 5, by replacing line 39 with the following:

“section 11 constitutes a new collective”; and

(c) by renumbering clauses 13 to 21 and all cross-references accordingly.

The Hon. the Speaker: Is it your pleasure, honourable senators, to adopt the amendment?

Some Hon. Senators: No.

Some Hon. Senators: Yes.

The Hon. the Speaker: Will those honourable senators in favour of the amendment please say “yea”?

Some Hon. Senators: Yea.

The Hon. the Speaker: Will those honourable senators who are against the amendment please say “nay”?

Some Hon. Senators: Nay.

The Hon. the Speaker: In my opinion, the “nays” have it.

And two honourable senators having risen.

The Hon. the Speaker: Call in the senators.

Is there an agreement by the whips on the bells?

Some Hon. Senators: Now.

The Hon. the Speaker: Is it agreed that we proceed with the vote now?

Hon. Senators: Agreed.

Motion in amendment negatived on the following division:

[Translation]

The Hon. the Speaker: Honourable senators, the sitting of the Senate is resumed.

REPORT OF COMMITTEE OF THE WHOLE

Hon. Eymard G. Corbin: Honourable senators, the Committee of the Whole to which was referred Bill C-24, an Act to provide for the resumption and continuation of postal services, has examined the said bill and has directed me to report the same to the Senate without amendment, but on division.

[English]

THIRD READING

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Sharon Carstairs (Deputy Leader of the Government): Honourable senators, with leave, now.

The Hon. the Speaker: Is leave granted, honourable senators?

Hon. Senators: Agreed.

YEAS

THE HONOURABLE SENATORS

Berntson	Murray
Bolduc	Nolin
Cochrane	Oliver
Comeau	Roberge
DeWare	Robertson
Gustafson	Spivak
Johnson	St. Germain
Kinsella	Tkachuk—17
Lynch-Staunton	

NAYS

THE HONOURABLE SENATORS

Adams	Mercier
Bacon	Milne
Bonnell	Moore
Callbeck	Pearson
Carstairs	Pépin
Cools	Perrault
Corbin	Petten
Fairbairn	Poulin
Ferretti Barth	Robichaud (<i>L'Acadie-</i>
Forest	<i>Acadia</i>)
Graham	Robichaud (<i>Saint-Louis-de-</i>
Haidasz	<i>Kent</i>)
Hays	Rompkey
Hébert	Stewart
Kenny	Stollery
Lewis	Taylor
Losier-Cool	Watt
Maheu	Whelan—34

ABSTENTIONS

THE HONOURABLE SENATORS

Nil

The Hon. the Speaker: It was moved by the Honourable Senator Carstairs, seconded by the Honourable Senator Fairbairn, that this bill be read the third time now.

Is it your pleasure, honourable senators, to adopt the motion?

Some Hon. Senators: Agreed.

Senator Lynch-Staunton: On division.

Motion agreed to and bill read third time and passed, on division.

[*Translation*]

ROYAL ASSENT

NOTICE

The Hon. the Speaker informed the Senate that the following communication had been received:

RIDEAU HALL

3 December 1997

Sir,

I have the honour to inform you that the Right Honourable Antonio Lamer, Chief Justice of the Supreme Court of Canada, in his capacity as Deputy Governor General, will proceed to the Senate Chamber today, the 3rd day of December 1997, at 10:15 p.m., for the purpose of giving Royal Assent to a bill.

Yours sincerely,

Judith A. LaRocque

Secretary to the Governor General

The Honourable
The Speaker of the Senate
Ottawa

[*English*]

BUSINESS OF THE SENATE

Hon. Sharon Carstairs (Deputy Leader of the Government): Honourable senators, there is agreement to let all other matters on the Order Paper stand.

The Hon. the Speaker: Is it agreed, honourable senators?

Hon. Senators: Agreed.

The Senate adjourned during pleasure.

[*Translation*]

ROYAL ASSENT

The Right Honourable Antonio Lamer, Chief Justice of the Supreme Court of Canada, in his capacity as Deputy Governor General, having come and being seated at the foot of the Throne, and the House of Commons having been summoned, and being come with their Deputy Speaker, the Right Honourable the Deputy Governor General was pleased to give the Royal Assent to the following bill:

An Act to provide for the resumption and continuation of postal service (Bill C-24, *Chapter 34, 1997*)

The House of Commons withdrew.

The Right Honourable the Deputy Governor General was pleased to retire.

The sitting of the Senate was resumed.

The Senate adjourned until tomorrow at 2 p.m.

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