

CONSUMER SAFETY & REGULATION

THE HILL TIMES
POLICY BRIEFING
AUGUST 20, 2012



Photograph by Jake Wright, The Hill Times



23

Competition Act

INTERCHANGE FEES

Finance Minister Jim Flaherty says let the market decide. 22

PAYMENT CHOICE

NDP MP Glenn Thibeault says retailers want choice in their payment system. 23

LEADERSHIP

Liberal MP Geoff Regan says the Conservative government is not showing any leadership. 23



20

Food inspection

OVERHAUL

Public service unions say the CFIA needs more resources to deliver on new rules. 20

BILL S-11 & SAFE FOOD

CFIA's George Da Pont says the new legislation will provide better safety outcomes. 25

HEALTH CANADA

Minister Leona Aglukkaq says the government is 'streamlining' approval processes. 26



26

Consumers

CRTC REGULATION

Does the wireless telecommunications sector need oversight? 24

CHOICE

'Technology is the key driver in shaping market forces and competitive opportunities,' says CRTC's Leonard Katz. 26

CONSULTATIONS

Government consultations on new regulations favour big business, say consumer groups. 18

CONSUMER SAFETY & REGULATION POLICY BRIEFING

REGULATION & CONSULTATION

Public policy consultation favours big business, not consumer groups: Whitehurst

'If you're having a regulatory discussion, there's a huge imbalance between supplier interest and consumer interest,' says Consumers Council of Canada.

By LAURA RYCKEWAERT

Consumer interest groups in Canada are not adequately resourced or funded to allow Canadian consumers' voices to be a meaningful player in government consultations over prospective policies, resulting in a "systemic issue" of imbalance between big business and everyday consumers at the consultation table, says the Consumers Council of Canada.

"There actually needs to be a lot more responsiveness to allow third party role players in the consumer protection space to be more engaged at higher levels. Today, if you're having a regulatory discussion, there's a huge imbalance between supplier interest and consumer interest," Ken Whitehurst, executive director of the Consumers Council of Canada. "Consumer organizations don't have the resources to do a peer-review of the process. We don't have our own scientists, and we don't have banks of people pouring over all the details of the regulation to see what someone might try to [get away with]."

Mr. Whitehurst said it's a historic problem that all parties at both the provincial and federal levels "own." "We go to the table having to represent heterogeneous interest," said Mr. Whitehurst.

"There is a general expectation in principle that consumer groups will be resourced to participate effectively, but this has come to be interpreted as buy a couple of plane tickets and give people lunch, and that's just not realistic," said Mr. Whitehurst. "We get asked on 15-, 20-, 60-, 90-day notice to show up for formal processes at the House of Commons, the Senate, government departments, and that has a cost and no one is recognizing it."

The ministry of consumer and corporate affairs was dissolved in 1995. Currently, there exists an office of consumer affairs, under Industry Canada's oversight, which "promotes the interests and protection of Canadian consumers," according to the office's website. The office runs a contributions program by which non-profit and volunteer consumer organizations can apply for research project funding. In 2011-12, the program awarded approximately \$1.62-million to nine different organizations; for the 2012-13 fiscal year, 10 organizations received a combined total of \$1.58-million.

Mr. Whitehurst said the funding—which he highlighted organizations have to compete to receive—is "small potatoes" when compared to what's needed and what many corporate and industry interest groups have at their disposal.

Treasury Board guidelines exist to interpret the requirements of the Cabinet Directive on Stream-



I'm in charge: Industry Minister Christian Paradis is responsible for the office of consumer affairs.

lining Regulation, which requires that affected and interested parties be consulted in the creation, implementation and evaluation of regulations. Under the guidelines, regulatory consultations should be conducted along the key principles of meaningfulness, openness and balance, transparency, and accountability, which according to the guidelines, "also involves ensuring that the consultations take place over a reasonable period of time, so that participants have sufficient time to submit their views."

The guidelines say that "All stakeholders, whether directly or indirectly affected, should have an opportunity to contribute their views."

But Mr. Whitehurst said Treasury Board guidelines aren't really being followed, "and haven't been for a long time."

"People should be concerned because consumer groups are not adequately resourced in this process to represent consumers at that level of detail," said Mr. Whitehurst. "If we were properly resourced to be more meaningfully involved, including being able to contribute our own thinking and research to the decisions around these things, then it would be much clearer what the implications of some of these changes and resource decisions would be [for consumers]."

According to an Aug. 17 story by Postmedia News, the government is currently conducting consultations on a draft plan for managing the presence of low-levels of genetically modified organizations in imported food and feed products. Based on access to information records obtained by the news agency, while the article notes that organic producers, food experts and industry members have raised a number of questions over the

government's proposed draft plan, which would allow the presence of unapproved GMOs in up to 0.1 per cent of a tested batch of imported foods, there is no mention of consumer groups, indicating a possibility that they have yet to be at the consultative table.

Bruce Cran, president of the Consumers' Association of Canada, said he sees some government departments doing better than others in ensuring consumer groups are properly consulted.

"Some departments of government, such as Health and Agriculture, are making very valiant attempts to consult [with consumer groups], there are many others that are not consulting at all, such as Transport Canada on air issues," said Mr. Cran.

Mr. Whitehurst said some departments are improving and are beginning to "be more systematic" in covering hard costs associated with participation in consultations, such as travel.

What is the government doing?

In the last Parliamentary session, a wide range of amendments and new regulations affecting Canadian consumers were announced by the government, many unveiled as part of the Conservative government's over 400-page omnibus budget implementation bill. Looking at the departments of Health, Industry, Agriculture and Finance—four departments that are ostensibly most directly connected to consumers—*The Hill Times* has compiled some of the biggest policy changes.

In the realm of Industry, Minister Christian Paradis (Mégantic-L'Érable, Que.) has announced changes to the foreign investment review process, on April 27 and

May 25 respectively, that would allow him to publicly disclose more information about reviews and that would raise the review threshold from \$330-million in asset value to \$1-billion in enterprise value over a four-year period.

Under the government's budget bill, Mr. Paradis announced the decision to allow the CRTC to recover costs for investigations into breaches and enforcement of the Do Not Call List from the telemarketing industry. On July 5, Mr. Paradis said the government would uphold a decision by the CRTC to eliminate monopoly phone service in Canada. And then of course there's Bill C-11, the Copyright Modernization Act, which received royal assent on June 29, and which includes provisions for digital locks which affect how consumers use their digital products.

Prior to the budget, Health Minister Leona Aglukkaq (Nunavut) introduced changes to allergen labeling regulations on foods to bring about clearer ingredient labels.

Under the omnibus budget bill, on April 26, Ms. Aglukkaq announced that the listing of drugs requiring a prescription for legal use in Canada would be moved online in an effort to speed up the regulatory process to classify or re-classify drugs as over-the-counter or prescription—eliminating "Schedule F" under the Food and Drug Act. Similarly, Ms. Aglukkaq introduced changes to speed up the food safety regulatory process, which the government has said will make the process "more responsive" to the industry, in part by giving the Health minister more authority in approving certain foods or the use of certain substances in foods—that is vitamins or other additives—through the

introduction of "Marketing Authorizations." Previously, for both these regulatory processes, the related lists were within the Food and Drug Act and required formal amendments to be changed.

Also, in May, Ms. Aglukkaq proposed new regulations to allow midwives, nurse practitioners and podiatrists to prescribe certain medications classified as controlled substances.

As set out in the 2012 budget, \$51.2-million over two years has been allocated towards improving food safety systems, with the money going to the Canadian Food Inspection Agency, Public Health and Health Canada. And the Agriculture department has also been working to improve food safety through the Canadian Integrated Food Safety Initiative, doling out a number of "investments," including \$72,500 to the Chicken Farmers of Canada to audit their on-farm food safety systems; \$202,505 to the Canadian National Goat Federation to develop a national on-farm food safety system; and \$86,530 to the Canadian Sheep Federation to update their food safety system. Agriculture Minister Gerry Ritz's (Battlefords-Lloydminster, Sask.) most significant policy change was the disbanding of the Canadian Wheat Board, effective Aug. 1.

It's been a busy year for the Finance department. On June 12, Bill C-25, the Pooled Registered Pension Plans Act, was passed. Though now contingent on provincial and territorial legislation, Bill C-25 would make pension plans available to self-employed Canadians and those whose employers do not offer a plan. At the end of June, as indicated under the 2012-13 budget, Finance Minister Jim Flaherty (Whitby-Oshawa, Ont.) introduced changes to the rules around government-backed insured mortgages that would tighten requirements with the intent being to discourage Canadians from over-extending their finances in an atmosphere of low interest rates.

Unveiled as part of the government's 2012 budget plan, Canadians who have been out of the country for at least 24 hours will now be exempt from paying duty and taxes on up to \$200 worth of goods, and those gone for at least 48 hours now have an \$800 exemption limit, bringing Canada on par with American exemption limits.

And, on July 6, Mr. Flaherty proposed new regulations that would require banks to belong to only federally-approved external complaint bodies monitored by the Financial Consumer Agency of Canada and would introduce regulatory standards on external complaint bodies in an effort to speed up and ameliorate the resolution of disputes between banks and their customers.

lryckewaert@hilltimes.com
The Hill Times



The Transition of Energy Drinks from NHPs to Foods

Health Canada announced in late 2011 its intention to transition energy drinks from Natural Health Products (NHPs) to food products. The Canadian Beverage Association (CBA) and its members support this decision and are working with Health Canada to ensure a smooth transition.

The change will closer align Canada with how energy drinks are classified in over 160 other countries around the world and will result in a number of changes to the product and its labelling.

These changes will include:

- Energy drink labels will now carry **food labelling** including a Nutrition Facts panel and ingredient listing along with a declaration of total caffeine from all sources. This change will allow our members to provide consistent and clear labelling similar to what consumers are accustomed to seeing on all other food and beverage packaging.
- **Caffeine content** will be capped both in total content - 180 mg maximum for single serve, and by concentration at 400 mg per litre. These levels will bring the maximum allowable caffeine content in line with other caffeinated food products and will put energy drinks at a level similar to most commercially sold coffees.
- **Vitamin and mineral** levels will be set by Health Canada below maximum therapeutic levels.

The Canadian Beverage Association and its members look forward to working with Health Canada to ensure a science- and fact-based approach for the transition of energy drinks to where they belong under the food regulations.

The Canadian Beverage Association is the national trade association representing the broad spectrum of brands and companies that manufacture and distribute the majority of non-alcoholic liquid refreshment beverages consumed in Canada.

CONSUMER SAFETY & REGULATION POLICY BRIEFING

FOOD SAFETY

Government's food inspection overhaul 'ambitious' move, CFIA needs resources to deliver

'The Safe Food for Canadians Act is the linchpin of our efforts to ensure the safety of all food products sold in Canada or exported by Canada, no matter what the source,' says Agriculture Minister Gerry Ritz about S-11.

By CHRIS PLEKASH

The federal government quietly introduced legislation to overhaul Canada's food inspection system in June, and while some organizations support the bill, they question whether the Canadian Food Inspection Agency will have the resources to effectively implement the legislation.

"The legislation is good. There's absolutely nothing wrong with it, but our concern is that they won't have the capacity to deliver," Agriculture Union president Bob Kingston told *The Hill Times* last week. "Whenever we've seen situations where they don't have the capacity to deliver, they turn more responsibility over to the regulated parties. They keep saying that's not going to happen, but mathematics would tell you otherwise."

Mr. Kingston, whose union is a member of the Public Service Alliance of Canada, approved of the "ambitious" legislation but said it would be difficult to implement if the government continues to eliminate inspection and administration jobs within the agency.

The government introduced Bill S-11, the Safe Food for Canadians Act, in the Senate on June 7. It is currently before the Senate Committee on Agriculture and Forestry.

The legislation consolidates the Canada Agricultural Products Act, the Fish Inspection Act, the Meat Inspection Act, and food-related aspects of the Consumer Packaging and Labelling Act in an effort to streamline the federal food inspection system.

In a June 21 appearance before the committee, Agriculture Minister Gerry Ritz (Battlefords-Lloydminster, Sask.) stressed the need for legislation that would bring consistency to food inspection in Canada and enable food inspectors to respond quickly to outbreaks of food-borne illness.

"The Safe Food for Canadians Act is the linchpin of our efforts to ensure the safety of all food products sold in Canada or exported by Canada, no matter what the source," Mr. Ritz told the committee. "This new act will simplify legislation, strengthen enforcement powers on imports and exports and will deliver stiff fines to anyone who purposely endangers the safety of our food."

The act establishes a licensing and registration regime for food importers and exporters, creates a CFIA complaints and appeals office, and standardizes the author-

ity of food inspectors so that all CFIA inspectors have the same powers to conduct inspections.

The act also sets out previously non-existent penalties for food tampering and the sale of recalled food items. Penalties range from \$250,000 to \$5-million and up to five years in prison, depending on the severity of the offence.

Mr. Ritz said that the legislation would "align" Canadian food safety laws with the 2011 U.S. Food Safety Modernization Act by simplifying the rules around food licensing, inspection, and enforcement. The legislation also simplifies Canada's food safety framework, which was a key recommendation of the Weatherill report on the 2008 listeriosis outbreak.

Liberal Saskatchewan Senator Robert Peterson, a member of the Agriculture and Forestry Committee, pressed Mr. Ritz on CFIA's capacity to implement the transformative legislation given the wide-ranging cuts to government services in the 2012 budget.

The Canadian Food Inspection Agency's budget will be reduced by \$56.1-million over the next three years as part of the 2012 budget, while the previous year's budget invested \$100-million over five years in the agency. The 2012 budget also invested \$51.2-million in food safety, but that funding will be spread across CFIA, Health Canada, and the Public Health Agency of Canada. Mr. Ritz said that changes to CFIA's budget were part of the "ebb and flow" of finding efficiencies at the agency, and downplayed the latest budget's plan to achieve more than \$56-million in savings by 2015.

"These are not cuts. They are efficiencies ongoing. We found efficiencies in the administration side," Mr. Ritz said. "A lot is captured by aligning some services with Agriculture Canada and other departments so we do not overlap."

Sen. Peterson asked Mr. Ritz during the committee meeting if he would support amending Bill S-11 to mandate an annual third-party audit of CFIA resources to ensure that necessary resources were available to enforce the legislation. Although Mr. Ritz said he had no problem with such an amendment being put forward, he called additional measures "redundant" in light of the audits the CFIA conducts internally and by international organizations.

The government maintains that it has added 700 meat inspection jobs since taking office in 2006, but PSAC estimates that 100 inspectors and 300 administrators will be eliminated

with the latest budget. As of March, 2012, CFIA employed 3,534 field inspection staff, and overall staff at the agency totalled nearly 7,300.

Mr. Kingston also took issue with the suggestion that the administrative positions that are being eliminated do not contribute to frontline food inspection. He said that administrative workers at CFIA are responsible for monitoring and designating imports for re-inspection, and keeping tabs on companies with poor compliance records.

"[The government] is talking about licensing 10,000 new importers—who's going to look after these? The very people with expertise in doing this kind of thing are the ones they're in the process of laying off," he said.

Mr. Ritz has downplayed the \$56-million as administrative "savings" and denied that there would be any changes to frontline food inspection, but Mr. Kingston has warned that the cuts would roll back improvements made to food safety following the 2008 listeriosis outbreak. The food safety crisis resulted in 23 deaths from tainted meat products, and led to calls for Mr. Ritz's resignation.

CFIA staff has grown significantly since the 2008 outbreak.

Ken Whitehurst, executive director of the Consumer Council of Canada, said that the legislation had the potential to improve food safety, but whether the government's initiative is successful will depend on how well they are able to implement the program.

"The new act doesn't decide what level of resources will be needed to make it effective," Mr. Whitehurst said. "The act creates a framework, but the CFIA still has to make its recommendations about what it needs to live up to its obligations, and governments trade off all the time how well they can meet their obligations."

Mr. Whitehurst added that policy consultations are typically dominated by well-resourced industry lobbies, while consumer interests are too often excluded from the process.

"I don't think that anyone has the knowledge or information today to say what the impact will be of those [CFIA] cuts," he said. "If we were properly resourced to be more meaningfully involved, including being able to contribute our own thinking and research, the implications of some of these changes and resource decisions would be much clearer."

cplecash@hilltimes.com
The Hill Times



Resources wanted: Agriculture Minister Gerry Ritz says Bill S-11 will 'simplify legislation and strengthen enforcement powers' when it comes to food inspection.

CONSUMER SAFETY & REGULATION POLICY BRIEFING

COMPETITION ACT



Code of conduct: Finance Minister Jim Flaherty is responsible for the voluntary code of conduct for the credit and debit card industry. 'The current framework encourages competition, requires disclosure of fees, and provides the right of the merchant and consumer to exercise choice,' he says.

Photograph by Jake Wright, The Hill Times

Payment system operators violating Competition Act, says Commissioner Aitken

Competition Tribunal to rule on credit card interchange fees this fall.

By CHRIS PLECASH

Current payment processing practices violate the Competition Act and should be changed to give merchants more choice and consumers fairer prices, but banks issuing credit cards with premiums and perks on them say it's the cost of doing business.

"Payment cards are a cheaper and a safer payment system than using cash, and the benefits of the cards far outweigh the legitimate cost of accepting them," Canadian Bankers Association president Terry Campbell said. "Credit card costs are a cost of doing business. Quite frankly, it's among the smaller costs that businesses face."

Canadian Federation of Independent Businesses president and

CEO Dan Kelly said merchants should have the power to add surcharges when consumers use credit cards that have higher interchange fees. "Consumers can use the cards. Banks have issued them in huge numbers, and the rates for accepting credit cards have been going up. We're pushing for the power to add surcharges," explained Mr. Kelly. "More than anything, it would give merchants power so that if credit card companies started to jack up rates, merchants could actually push back."

The issue is currently in the Competition Tribunal's hands as hearings on interchange fees concluded June 21. Hearings began in May after the Competition Bureau challenged the merchant restraints placed on businesses that accept credit cards as pay-

ment. According to the bureau's initial filing with the tribunal, payment system operators such as Visa and Mastercard restrict retailers from levying surcharges on credit card payments and encouraging consumers to use cards with lower merchant fees.

Visa and Mastercard, which are the two largest credit card providers in Canada and account for 90 per cent of the market, challenged the Competition Bureau's case. TD Bank and the Canadian Bankers Association also submitted closing arguments against the bureau's position. A final ruling from the Competition Tribunal is expected some time this fall.

While debit card transactions cost retailers a flat rate of approximately 12 cents per sale, credit card transaction fees depend on

the type of card being used. Premium cards offering cardholder benefits cost retailers more to process, but because of a clause requiring retailers to "honour all cards," businesses are forced to accept cards with higher processing costs.

The Competition Bureau estimates that credit card system fees cost businesses \$5-billion in 2009, which was in turn passed on to consumers. On average, the credit card payment system costs each consumer \$140 annually.

Commissioner of Competition Melanie Aitken has argued that the current conditions are in violation of Section 76 of the Competition Act, which prohibits parties from discouraging customers' ability to lower their costs. Ms. Aitken has requested that the tribunal strike down restrictions on merchants' ability to level surcharges and eliminate the "honour all cards" clause.

Mr. Campbell said that proposal would only create negative consumer experiences when customers have their cards rejected or are forced to pay a fee. Mr. Campbell added that the oft-cited \$5-billion annual cost figure was the cost of doing business for retailers.

Mr. Kelly did not dispute Mr. Campbell's claim that surcharging would result in negative consumer experiences, but said that the retailers simply want some control over the amount they pay in credit card interchange fees.

Mr. Kelly also disputed the suggestion that customer surcharges on credit card transactions would become the norm. He pointed out that retailers are able to levy customer surcharges on debit transactions, but rarely do.

"Consumers are actually paying \$5-billion in credit card merchant fees, they're just embedded in the price of everything they buy. We support surcharging because it's a

more honest and fair way of leveling these fees, as opposed to having them hidden in the prices," he said.

NDP consumer affairs critic Glenn Thibeault (Sudbury, Ont.) is hopeful that the Competition Tribunal will strike down the merchant restraints in its final ruling. He said it's time for the federal government to introduce legislation limiting the credit card industry's ability to "gouge" retailers.

"Small businesses have to increase their costs to offset the costs that they're paying on interchange fees, which means everybody pays more," Mr. Thibeault told *The Hill Times*. "If businesses know how much they can expect to pay, they won't have to keep increasing the costs of the items that are purchased."

The federal government introduced a voluntary code of conduct for the credit and debit card industry in 2010, which included requirements for the industry to provide retailers with clear information on transaction fees and to give 90 days notice of rate changes. The Financial Consumers Agency of Canada oversees industry compliance with the code.

Although Mr. Thibeault has called on Finance Minister Jim Flaherty (Whitby-Oshawa, Ont.) to give retailers more discretion over which credit cards they accept, the Finance Minister has shown little interest in going beyond the current voluntary code of conduct.

"The rates and fees associated with financial products and services reflect the business decisions of the payment card networks," a statement from Minister Flaherty's office read. "The current framework encourages competition, requires disclosure of fees, and provides the right of the merchant and consumer to exercise choice."

The Hill Times

CONSUMER SAFETY & REGULATION POLICY BRIEFING

PAYMENTS SYSTEMS & COMPETITION

Payments system 'integral' to Canadian economy, 24 billion payments worth \$44-trillion made every year

'Our view of the government's role is to set overarching principles and a healthy regulatory environment for payments so that competition and innovation can take place,' says Finance Minister Jim Flaherty about the Code of Conduct for the Credit and Debit Industry.

By FINANCE MINISTER
JIM FLAHERTY

The following is a speech Finance Minister Jim Flaherty gave at the 15th Payments Panorama Conference in Quebec City, Que., on June 8, 2012. The speech was edited for length and style.

It was two years ago at this conference that I announced the appointment of Pat Meredith as Chair of the Task Force for the Payments System Review. Thanks to her and all the other members of the Task Force, we are much further down the road of understanding the technological changes that are upon us because of the advent of mobile technology, and we are much closer to seizing hold of the potential of digital payments.

The uncertainty of the world economy has been the big story of the last four or five years. In fact, since our government came to office in February 2006 the vast majority of my tenure as Finance Minister has been a challenging exercise in fiscal management, as we worked to keep Canada's economy among the world's best.

Canada is in good shape. The budget which I brought in earlier this year is not just about numbers. It's the policy document of the government of Canada. It's where we are going. It's not looking forward just to tomorrow morning or next year. Because we have a majority government, we now look out a decade from now, 20 years from now.

Now, I will discuss why payments matter, which is the theme of your conference.

It is a fascinating time for payments. In the past year, we've seen a telecommunications firm take steps toward becoming a bank.

We've watched the Code of Conduct for the Credit and Debit Card Industry celebrate its first birthday and come fully into force.

The Canadian Bankers Association has recently published voluntary guidelines to help set the stage for the deployment of payment options through mobile phones.

I was encouraged to see the announcement of new partnerships between the banking and telecommunications sectors in Canada working on the development of digital wallets.

As a government, we are taking steps to modernize the way we do business and save taxpayers' dollars by phasing out government cheques and increasing the usage of direct deposit for all government payments. Notably, we had the pleasure of receiving the report of the Task Force for the Payments System Review.

As Minister of Finance, all of these things matter to me because I am responsible for the overall



Innovation: Finance Minister Jim Flaherty, pictured before holding his sixth annual national policy retreat Aug. 15, says Canada's 'economy simply wouldn't function without' the digital payments system and is working toward innovation in the industry.

policy framework for the payments system at the federal level, including its safety, soundness, levels of innovation and competition, and ensuring that consumers and businesses are well-served. The payments system is integral to the economy and is responsible for the movement of money within this economy. More than 24 billion payments worth over \$44-trillion are made every year in Canada. Our economy simply wouldn't function without this system.

The final report of the task force, entitled *Moving Canada into the Digital Age*, strikes a number of chords quite in line with some of the main pillars our government is focusing on. They include the need for private sector innovation and a thorough look at our back offices to make sure the needs of our clients (in my case, taxpayers) are being met and even exceeded at the best possible price.

To accommodate the digital era, the task force has stated that changes to the governance of payments and its supporting infrastructure will be required. The task force has also proposed a roadmap that addresses important stages in the evolution toward digital payments like implementing electronic invoicing and payments, and advancing digital identification and authentication for online commerce and payments.

Some of you may be thinking: Now that the task force has reported, what can you expect from the government?

We are already on similar pages. The government has taken action in response to the task force.

First, I agree that dialogue is instrumental to adapting to change. We've taken steps to establish a consultative committee made up of public and private sector stakeholders to discuss emerging payments system issues.

We will call this committee the Finance Canada Payments Consultative Committee, or FinPay.

Led by the Department of Finance, FinPay will be made up of stakeholders from across the payments industry and user community.

FinPay will help the government stay current about market developments and will contribute to the elaboration of effective policy that supports an innovative and safe payments system that meets the needs of consumers and merchants. We are currently finalizing the terms of reference and membership of this committee. Following that, we will convene the first meeting.

FinPay is just one step. Secondly, we expect that mobile technology will be the next significant technological wave in payments. We are reviewing our code of conduct for the credit and debit card industry so that it guides the evolution of mobile payments in Canada in line with the code's principles of transparency, fairness and competition.

The code was the result of extensive stakeholder consultations and has improved disclosure and transparency and has promoted fair business practices among payment card network operators and their participants.

With the benefit of the task force's findings and the input of stakeholders, my officials in Finance are currently reviewing the application of the code in light of the emerging mobile payments products now entering the market. As before, we will consult publicly so the code remains guided by the collective voices of all payments stakeholders.

I believe that when problems do arise, it is often industry itself that is in the best position to respond. For the code to work, the networks must ensure their business partners in supplying card services fully embrace the spirit of the code, including independent service operators who supply services to merchant acquirers. I would now like to say a few

words about governance.

We are taking a fresh look at how the Canadian payments system and its participants are governed to ensure the continued safety and soundness of the payments system, spur innovation and promote the consideration of user interests.

Important questions we need to ask include: Are new players and technologies posing challenges to our current governance arrangements? What is the appropriate scope and nature of public sector oversight in this highly dynamic and rapidly evolving sector? Should the scope of existing governance arrangements be broadened to include new players, new roles and responsibilities, and possibly new structures?

Going forward, we plan to work with key stakeholders to assess how best to align the needs of Canadians with the change underway in payments today. The recommendations of the task force on governance will guide our analysis.

Throughout all of these initiatives, our view of the government's role is to set overarching principles and a healthy regulatory environment for payments so that competition and innovation can take place.

Card networks and the financial system must remember that while there is nothing bad with profits, they are there first and foremost to serve their users, who are consumers and merchants.

Some jurisdictions around the world have chosen highly prescriptive and constraining rules governing credit and debit payments, even dictating prices. As practices evolve, these rules are bound to become obsolete and to have significant unintended consequences.

I understand that some players in the payments system would like me to cap interchange rates. Similarly, many people would like the price of gas to be capped, their cell phone bills to be capped, and the price of their groceries

to be capped. We all know that controlling prices does not work and that what we need is healthy, competitive, innovative markets. That is why rate regulation has never been the name of the game in the Canadian financial sector.

Canada benefits from a good low-cost debit option that almost all consumers have access to. With the code of conduct, I have taken steps to preserve Canada's low-cost debit system by prohibiting competing domestic payment applications on a single card and empowering merchants to steer consumers toward low-cost options through steering and discounting.

With this code of conduct, merchants have the power to offer consumers discounts for paying with a low-cost payment method. I suggest to you: Isn't that the best of all reward programs? Before calling for rate regulation and asking the government to limit reward programs for consumers, merchants should realize that they hold a significant competitive advantage and can change the way consumers choose payment options.

Canada has chosen a Code of Conduct for the Credit and Debit Card Industry that is fundamentally principles-based and that clearly places the responsibility of acting ethically and responsibly with each industry player.

This code is focused on fairness, transparency and soundness, and it should be quite obvious to all payments industry players what is expected of them under the code. The intent was always that the code would apply throughout the payments system, from networks all the way to consumers.

While the code has been a great success and the vast majority of payments players have been playing by the rules, there are unfortunately some players, especially in the merchant acquiring/ISO business, who have not been as transparent as they should be and have been using a narrow interpretation of the code to justify, how shall I say, troubling business practices.

This is an issue of concern to me as the Minister of Finance. It imperils the value proposition of the code, which so many support.

This is why I applaud the recent efforts by the payment card networks who are working in conjunction with the Financial Consumer Agency of Canada to develop solutions to these issues. I believe that the industry can and should first attempt to work together to find solutions to ensure that not only the letter, but also the spirit, of the code is fully respected.

Finance Minister Jim Flaherty represents Whitby-Oshawa, Ont.
news@hilltimes.com
The Hill Times

CONSUMER SAFETY & REGULATION POLICY BRIEFING

SMALL BUSINESS

Tories turning 'deaf ear' to small businesses

Retailers want choice in their payment system infrastructure, but the Conservative government is ignoring them, says NDP MP Glenn Thibeault.



BY NDP MP
GLENN THIBEAULT

Ask just about anyone in Canada and they will be able to easily list their concerns about bank costs—predatory interest rates on credit cards, ever increasing minimum balances required to avoid chequing account fees, and even being charged excessive fees to access their own money at ATMs. These are issues the NDP has consistently talked about—and called on the government to take real action to protect consumers.

However, it is the hidden costs of credit card payments—merchant fees and the payment infrastructure—which could have an even bigger effect on our fragile economy. Merchant fees are paid by retailers to process debit or credit card transactions. For example, a payment through Interac has a fee set at roughly 12 cents

per transaction. The cost for credit cards is a per cent of the total transaction, and the percentage rate is determined by a number of factors—including the retailers' bargaining power and the type of card being used. The average fee for a credit card transaction works out to around three per cent, but for some premium cards (such as gold and platinum cards) the charge can be much higher. A study by the Bank of Canada in 2008 found that on a \$36.50 transaction (an average purchase), a merchant would have to pay 19 cents to process the payment by debit versus 82 cents for credit.

The reason this is such a problem is that while the cost to process credit is far higher for the retailer, these costs are transferred to customers. This means credit card users don't pay the full cost of processing their transaction, the remainder is paid by non-credit card users. Credit card users are then further compensated by their banks in the form of cash back, travel points or other programs. A rough rule of thumb is the better the perks you get for using your credit card, the more a retailer is paying to process your transaction.

A study by the Federal Reserve of Boston found that every year each household that uses cash essentially transfers \$50 to credit card using households; and that credit card using households are essentially receiving a \$240 subsidy each year. For a household that pays its credit card bill off in full each month, this figure jumps to \$833.

Retailers have been quite clear on what is needed to improve the situation—they need the ability to refuse certain cards with extremely high costs, and they want to be allowed to tell consumers the cost of using their credit card. This would give retailers some control over their costs, which could then translate into lower costs for consumers. Unfortunately, the Conservatives have turned a deaf ear to these requests and instead offered a weak, voluntary code of conduct with a very limited scope—and no enforcement mechanism.

Another important issue is how the payment processing infrastructure is designed. In 2010, I was optimistic when Finance Minister Jim Flaherty commissioned a taskforce to review the payments system. With the addition of new



Swipe it: Finance Minister Jim Flaherty buying shoes before budget day.

payment methods such as NFT (near-field technology), e-wallets and chip cards, a system which had evolved around swipe cards was in need of updating. A new system was needed to ensure the payments system could handle the new information while also ensuring the security of financial and private information.

The findings of the report were quite shocking. Canada's payments infrastructure and regulatory regime ranked behind those of Peru and Romania. Thirty-two billion dollars in savings could be recognized by updating the system. The report gave a number of detailed steps to start modernizing the payments system and to bring Canada into the 21st century. That report was released to the public five months ago and the government hasn't even begun to act. They haven't even taken the minor step of expanding their voluntary code of conduct to mobile

payments, a recommendation that even Conservative members of the Standing Committee on Industry, Science and Technology agreed with in a report on e-commerce released this spring. Instead Conservatives are allowing the banking industry to produce their own guidelines which may actually contravene the spirit of the code.

These are the kind of common sense changes that we need to make in order to increase consumer confidence in the financial system. And by acting now on these issues, the government could decrease costs for consumers and small businesses, and give a much needed boost to the economy at a time when global economic threats continue to pose a threat to growth and employment.

Glenn Thibeault represents Sudbury, Ont., and is the NDP consumer affairs critic.

news@hilltimes.com
The Hill Times

RETAIL MARKETPLACE & HOUSEHOLD DEBT

Tories not showing leadership on retail marketplace



BY LIBERAL MP
GEOFF REGAN

The people who put Canada in deficit before the recession began want you to believe they are good economic managers. Putting aside that ridiculous claim for a moment, let's look at two issues on which the Conservatives should be showing leadership: the retail marketplace and household debt.

This fall the debate around Canada's payments networks should heat up as the Competition Tribunal announces its verdict in the Competition Bureau's suit against credit card companies.

Several years ago the Conservatives issued a voluntary code of conduct for the credit card industry, which asked the card companies to provide more transparency regarding how things such as interchange fees work. Interchange is a flat or percentage fee that merchants pay

to the credit card issuer every time a card is used in their store.

The voluntary code however skirted the central issue which is whether this is a properly functioning market.

In a well functioning marketplace, when resources are not scarce, competition and innovation should eventually drive prices down as companies compete for business. The problem with the credit card industry is that the incentives in the marketplace seem almost entirely reversed.

A credit card issuer is incentivized to increase the fees it charges to merchants in order to offer bigger and better rewards programs which are marketed to attract more card holders. As the rewards programs become more elaborate, customers use them more often in order to collect more points.

But, since the customer is not the one paying the interchange fees, their behaviour is not affected by the level of those fees. As a result, credit card companies are not competing against each other by reducing these fees, but rather by increasing them.

We all have to pay for the interchange fees charged to merchants,

as they are forced to increase their prices on all consumers regardless of whether they are using cash, debit, or a credit card.

When you purchase with cash, you are subsidizing the people who are getting air miles, dividend returns, and all the perks of the premium credit cards.

Merchants meanwhile are not legally allowed to turn down the cards with high fees and they are not allowed to surcharge the fees directly to the consumers who are using those cards. The only option for the merchant is to not accept any credit cards at all.

While it is generally preferable for the government not to intervene in a market, it is also the responsibility of the government to intervene when a market is not functioning in a transparent and competitive manner. Australia and New Zealand have already taken steps to correct this anomaly and the United Kingdom and the United States are scrutinizing it closely.

This is why here in Canada the Competition Bureau is taking a stand at the Competition Tribunal that the Conservatives are unwilling to take in Parliament.

Shifting from credit cards to the broader issue of household debt, any Canadian who listened to Bank of Canada Governor Mark Carney for the past two years has noticed he is very concerned about the rising level of household debt in Canada.

When you look at the underlying data, his concern is clearly merited. While Canadian household debt stood at \$1-trillion at the start of 2006, it grew to well over \$1.6-trillion by the start of 2012—a 60 per cent surge in just six years.

Canadian families are now more indebted than our American friends and the prospect of interest rates remaining near record lows means that we are likely to keep borrowing.

The problem is that household borrowing has basically been keeping Canada's economy afloat, almost as though it were a type of economic stimulus package. To illustrate, the only things contributing to the economic growth in 2012 have been the domestic demand fueled by household consumption and to a lesser extent business investment.

The government sector is actually contributing to negative growth as it enters its austerity phase. Our export performance

has been abysmal as the Conservatives have failed to expand our trade markets to places that are experiencing economic growth.

All of this has brought us to the rather bizarre situation where the government says it wants household borrowing to stop while simultaneously hoping it continues to grow and fuel economic growth. This strategy is clearly not sustainable and there will no doubt be a price to pay for it in the not too distant future.

When the Harper Conservatives increased spending between 2006 and 2008 at three times the rate of inflation, it was bound to have consequences. We are seeing the impact now, with austerity measures arriving at the most inopportune moment.

Meanwhile, their ideology keeps them from intervening in the retail marketplace, even in those cases where it is clearly appropriate—just one example of their inept fiscal performance being compounded by poor economic management.

Geoff Regan represents Halifax West, N.S., and is the Liberal critic for industry and consumer affairs.

news@hilltimes.com
The Hill Times

CONSUMER SAFETY & REGULATION POLICY BRIEFING

CONSUMER DEBT

Federal government continues to call on consumers to lower debt levels

In June, Statistics Canada announced that the ratio of credit market debt to personal income reached 152 per cent in the first quarter of 2012, while per capita indebtedness rose to \$47,000.

Continued from Page 1

"We lend money to people who will pay it back. That's banking 101—it's always been true here, but it has not necessarily been true in other jurisdictions," said Mr. Campbell, who pointed to "remarkably low" credit card delinquency and mortgage arrears statistics as proof of prudential lending on the part of banks and prudential borrowing on the part of consumers.

The CBA's most recent statistics show only 0.34 per cent of mortgages were in arrears in March, totalling 14,847 households. Meanwhile, the credit card delinquency rate for 2011 was 1.1 per cent.

The mortgage arrears rate is the lowest it's been since the beginning of the 2009 recession, while the credit card delinquency rate has declined each year since 2009.

In the U.S., the mortgage arrears rate is at 5.49 per cent, while the credit card delinquency rate is 0.63 per cent, according to credit reporting agency Transunion.

"While banks are prudent and careful lenders, Canadians are careful and prudent borrowers. The facts bare this out. If you look at the mortgages in arrears statistics, it is remarkably low and has been consistently low for years," Mr. Campbell said. "This low mortgage arrears statistic has been true before the financial crisis, during the financial crisis, and now."

Mortgages account for nearly 75 per cent household indebtedness in Canada, while non-mortgage household debt, such as lines of credit and credit cards, accounts for the remaining debt.

Consumer borrowing has continued to rise in 2012, how-

ever. In June, Statistics Canada announced that the ratio of credit market debt to personal income reached 152 per cent in the first quarter of 2012, while per capita indebtedness rose to \$47,000.

Finance Minister Jim Flaherty (Whitby-Oshawa, Ont.) and Bank of Canada Governor Mark Carney have repeatedly urged consumers to manage their debt loads over the past year.

In March, Mr. Carney called household indebtedness "the biggest domestic risk" to the Canadian economy. The governor has relied on record low interest rates to sustain economic growth since the 2008 recession, and has warned consumers that interest rates will eventually increase from the current one per cent.

Mr. Flaherty has also urged Canadians to rein in their borrowing, and in June he announced that the maximum amortization

for government-backed insured mortgages would be lowered from 30 years to 25, while the maximum amount that homeowners would be able to borrow from their home equity was lowered from 85 to 80 per cent.

Despite a year of federal warnings of an imminent interest rate hike, the risk that Canadians will become over-leveraged persists. The debt to personal income ratio has risen by five percentage points and per capita indebtedness rose by \$1,500 since last summer.

One promising sign that consumers are reducing their borrowing rate is in the Conference Board of Canada's July consumer confidence index.

Although the index rose 2.9 points to 76.9 between June and July, the Conference Board notes that consumer confidence remains low due to economic uncertainty. The index is based on a monthly survey that gauges consumers' likelihood of making major purchases.

Although Mr. Campbell is confident in his organization's membership's lending practices, Bloomberg News reported last winter that the Office of the

Superintendent for Financial Institutions was concerned that lenders were becoming "increasingly liberal" with mortgages, and likened emerging financing products to the subprime loans that contributed to the 2007 U.S. housing bubble.

The Financial Consumer Agency of Canada publishes a wide range of consumer information on credit and loan products, mortgages, and debt management. The federal government has touted financial literacy as a way of improving consumer protection in the financial services sector, and has introduced legislation that would strengthen the FCAC's mandate to educate the public on financial management.

Last November the government introduced Bill C-28, the Financial Literacy Leader Act, which would amend the Financial Consumer Agency of Canada Act to establish a Financial Literacy Leader position within the FCAC.

Bill C-28 is currently before the House Finance Committee. The legislation acts on recommendations the Task Force on Financial Literacy made in February 2011.

cplecash@hilltimes.com
The Hill Times

CRTC & REGULATIONS

CRTC should regulate wireless service terms and conditions to create certainty for industry, consumers

'There's a lack of oversight. If the CRTC steps into this, we'll actually see the oversight we need on a national scale when it comes to telecom companies,' says NDP MP Glenn Thibeault.

By CHRIS PLEKASH

The Canadian Radio-television Telecommunications Commission is considering calls by industry and consumer advocacy groups to regulate Canada's wireless telecommunications sector because an absence of federal regulation has led to different rules around wireless services in different provinces.

NDP consumer affairs critic Glenn Thibeault is in favour of the CRTC resuming its regulatory authority over wireless service terms and conditions. He said that a national code of conduct would create certainty for the industry and consumers.

"For the telecom companies right across the country it's made

life difficult because they're having to jump through different hoops in Manitoba, Ontario and Quebec," Mr. Thibeault said. "There's a lack of oversight. If the CRTC steps into this, we'll actually see the oversight we need on a national scale when it comes to telecom companies."

Telus Communications, Rogers Communications and the Public Interest Advocacy Centre requested that the CRTC establish a national wireless services consumer protection code in the spring.

The CRTC has the authority to regulate wireless services under section 24 of the Telecommunications Act, but the commission has refrained from exercising its regulatory power over the industry since 1994, instead allowing the industry's growth to be guided by the market.

Ontario, Quebec and Manitoba have introduced provincial legislation regulating wireless services in recent years

In its March 8 application to the commission, Rogers stated that the emergence of provincial telecommunications law has created a "patchwork quilt" of legislation governing the \$17-billion national industry.

"The proliferation of provincial legislation is a clear indication that there is a demand on the part of Canadian wireless consumers for a comprehensive legally enforced code of consumer protection," Rogers senior vice-president Ken Engelhart stated in his company's application.

Mr. Engelhart noted that current provincial laws around the terms and conditions of service differ in the specifics around billing and cancellation. Rogers has requested that the CRTC establish a steering committee to develop a "single regulatory regime" that would replace the existing provincial laws.

Rogers' application proposes a draft federal wireless consumer protection code that would regulate contracts, carrier charges, product repairs, billing, and advertising.

The Public Interest Advocacy

Centre has also applied for the CRTC to resume its oversight of the wireless industry, but its application raised the concern that Rogers' proposed steering committee would exclude consumer interests from being adequately represented in the consultation process.

The CRTC has heard from more than 900 intervenors since PIAC and telecom companies raised the issue in the spring. The commission is now weighing its options, which include proceeding with public consultations, drafting a national wireless consumer protection code, and consulting with the provinces to clarify jurisdiction. The commission is expected to proceed with a course of action this fall.

The Canadian Wireless Telecommunications Association (CWTA) has endorsed the initiative. CWTA represents more than 150 members including service providers such as Rogers, Bell, Telus and Wind Mobile, as well as IT consultants and wireless hardware manufacturers. Marc Choma, who serves as CWTA's director of communications, said that a federal code of conduct would create coherence for ser-

vice providers and ensure that consumers receive the same level of protection across the country.

"It's certainly something the industry would like to see accomplished sooner than later," Mr. Choma told *The Hill Times*. "Because wireless carriers are national telecommunications providers, all of their systems for pricing and contracts are done at the national level. When you have to make modifications to those, there are going to be costs involved."

Mr. Choma said that he expects any CRTC code of conduct to reflect the CWTA's existing voluntary code of conduct for its membership, which addresses rate changes, service cancellation, advertising, and the protection of consumer information.

"A national code of conduct developed by the CRTC would probably cover many of the elements in the existing code of conduct. The CRTC would be able to have enforceable regulations that all carriers would have to adhere to," he said.

cplecash@hilltimes.com
The Hill Times

CONSUMER SAFETY & REGULATION POLICY BRIEFING

FOOD LABELLING

Canadians want more product labeling, not reductions in food and drug regulations

'Thanks to Bill C-38, a range of decisions that used to run the normal course of regulation-making will no longer receive the public and Parliamentary oversight,' says Elizabeth May.



BY GREEN PARTY LEADER
ELIZABETH MAY

In all the slashing and burning of existing environmental laws, the dramatic reduction of oversight of the Canadian domestic spy agency, the loss of sovereignty in allowing U.S. law enforcement agencies into Canada to make arrests, all found in the omnibus budget bill, C-38, last spring, less noticed were significant changes in consumer safety.

I submitted amendments to redress the changes, as did Liberal and NDP MPs, but, there was no willingness on the part of the Harper Conservatives to reconsider food safety and controls on prescription drugs. No surprise. As we all know, the 425-page bill passed into law at break-neck speed without a single amendment at committee or report stage.

The buzz-words stayed the same as Bill C-38 waded into reducing consumer access to information, and potentially reducing the safety of our foods and drugs.

The changes are to "streamline" the approval of new food additives, ingredients and food modifications. The industry leaders in food retailing heralded the changes. According to the industry association, Food and Consumer Products of Canada, Canada has been lagging behind other countries because of our onerous regulations. What dire negative impact is there as a result of undue regulation of food safety? Apparently, Canadians have been suffering as regulations have been "seriously limiting consumer choice in the marketplace." I wonder if these guys have been in the "marketplace" lately. The array of consumer choice for everything from toothpaste to olive oil is dizzying. But apparently, Canadians are deprived of "choice."

So thanks to C-38, a range of decisions that used to run the normal course of regulation-making will no longer receive the public and Parliamentary oversight implicit in promulgating regulations. Decisions are reduced to non-regulatory lists and the minister of Health can approve new food products, as long as a previous assessment of the additive was made for other products. "Interim marketing authorizations" can be granted without moving through regulation. And unlike the previous law, the interim authorization could remain in place indefinitely.

Meanwhile, regulations of food safety with regard to contamination with hazardous substances have been relaxed. The requirement that the minister had to con-



Health Minister Leona Aglukkaq is responsible for some new regulations under Bill C-38.

clude that "the food would not be harmful to the health of the purchaser or consumer" has been removed. This will allow the minister to allow the sale of products with levels of pesticides, veterinary drugs or food additives without determining first that the food would not be harmful. There was no explanation for removing this protection.

In the area of prescription drugs, regulations were also removed. The minister will no longer have to post proposed new prescription drugs to the *Canada Gazette*. The minister will establish a "list that sets out prescription drugs, classes of prescription drugs or both." And the list is "not a regulation within the meaning of the Statutory Instruments Act." More great streamlining for Big Pharma.

What Canadian consumers really want is more product information. Canadians want labels to allow us to differentiate between products containing genetically modified organisms and those without. We want the label information to tell us more clearly what parts of prepared food products are locally grown, or at least grown in Canada.

These areas require attention. Meanwhile, the Harper Conservatives are relaxing food and drug safety regulation in the interest of rushing new food and pharmaceutical products to, what they apparently conceive, as a barren and lonely marketplace, where Canadians yearn for the next new clean-minty-whitening-with-green swirls-standup by itself tube of toothpaste.

Elizabeth May represents Saanich-Gulf Islands, B.C.

news@hilltimes.com
The Hill Times

CFIA

Safe Food for Canadians Act modernizing food inspection, says CFIA president

Bill S-11 'will be able to address certain food safety concerns, such as tampering, traceability and select import controls that are not covered by current legislation.'



BY GEORGE DA PONT

The Canadian Food Inspection Agency plays a key role in maintaining Canada's food safety system. But the world in which the CFIA operates is changing and the CFIA needs to change with it.

Canada has one of the best food inspection systems in the world. The agency wants to build on this strong foundation, and adapt to emerging global and scientific trends.

In Canada, food safety and consumer protection begins with a strong legal framework. The CFIA has a mandate to administer or enforce food-related standards and other requirements, found in five separate acts of Parliament (and their associated regulations). These include: the Food and Drugs Act, the Canada Agricultural Products Act, the Fish Inspection Act, the Meat Inspection Act and the Consumer Packaging and Labelling Act.

The CFIA verifies industry compliance with these acts (and regulations) through activities that include inspecting establishments (such as abattoirs and food processing plants), testing products and promoting science and risk-based management practices. The CFIA also provides industry with the needed certificates, licences, registrations and permits to operate and access markets.

If a food safety emergency does occur, the CFIA, in partnership with Health Canada, the Public Health Agency of Canada, provincial agencies and the food industry, operates an emergency response system. This may include food safety investigations and product recalls for which Canada's system is cited as a best practice.

Consumers today are demanding more meaningful information about food safety and quality. They want clear evidence that their food safety system is comprehensive, covering all food commodities both imported and domestic.

The way that food is produced and distributed now is very different than in past decades. These changes have been created by population and income growth in emerging economies and by consumer demands for more diverse and innovative food choices. The food processing industry has also become more integrated, global and technologically advanced, significantly increasing the speed and volume of production. Science has advanced to give us a better assessment of risks and better testing tools to detect possible problems.

Against this backdrop, the science of food safety is advancing and approaches to food safety oversight are changing around the world.

While Canada has a world class food safety system, there are significant drivers for change. In response, the agency is moving on three fronts to make Cana-

da's world-class inspection system even better.

This agenda involves building a stronger foundation for the delivery of the CFIA's programs through legislative renewal, inspection modernization and a review of our regulatory frameworks.

In June of this year, the government of Canada introduced Bill S-11, the Safe Food for Canadians Act, which will consolidate food safety authorities from several existing Acts. This consolidation will provide consistency of inspection for more food commodities, imported and domestic, for the benefit of all Canadians. Once passed, the legislation would allow all foods to be inspected—in a uniform way—according to risk management principles.

This will provide Canadian consumers with even better food safety outcomes as the agency will be able to address certain food safety concerns, such as tampering, traceability and select import controls that are not covered by current legislation. From an industry perspective, consolidated food inspection authorities will reduce regulatory burden, improve market access opportunities and enable innovation.

With a new legislative base in place, the government of Canada can then execute fully on its five-year, \$100-million plan to modernize its food inspection system.

This Budget 2011 commitment included new resources to improve: inspection delivery, training and tools for inspection staff, scientific capacity in food laboratories, and information management and technology.

As part of this modernization initiative, the agency is developing an improved food inspection model. The basic goal of the model is to move from delivering eight independent food inspection programs to delivering one food inspection program. Consumers can then have even greater confidence that their food is inspected in a rigorous and uniform way across all food commodities. Anyone wanting to offer comments on the proposed model can do so at <http://bit.ly/PZeuY0>.

As a final complementary piece, in the fall of 2011, the CFIA began a systematic review of its regulatory frameworks to strengthen them overall which will include food safety regulations. The focus is to: reduce overlap and redundancy, address gaps, weaknesses and inconsistencies, and provide clarity and flexibility to assist regulated parties in fulfilling their obligations.

An updated and improved regulatory system will provide clarity and benefits to both industry and consumers.

By improving the legislative base, the regulatory framework and the inspection delivery model, consumers will continue to have one of the best food safety and consumer protection systems in the world, and one that is better adapted to emerging global trends and scientific advances.

George Da Pont is the Canadian Food Inspection Agency president.

news@hilltimes.com
The Hill Times

CONSUMER SAFETY & REGULATION POLICY BRIEFING

PRODUCT RECALLS

Health Canada's new legislative powers keep consumers safe

'Most Canadians would likely have been surprised to know that until our government took action recently, the government of Canada did not have the authority to order a recall of dangerous consumer products from store shelves.'



BY HEALTH MINISTER
LEONA AGLUKKAQ

Canadian consumers rightly expect that the products they find when they go shopping are safe.

But as the world keeps changing, consumers and governments need to make sure that they have access to current information and modern tools to protect the safety of Canadians and their families.

Most Canadians would likely have been surprised to know that until our government took action recently, the government of Canada did not have the authority to order a recall of dangerous consumer products from store shelves.

In June 2011, the Canada Consumer Product Safety Act became the new law in Canada, replacing 40-year-old legislation with updated, modern powers and penalties.

The CCPSA emphasizes industry's responsibility for making sure their products are safe. At the core of this new legislation is a general prohibition against manufacturing, importing, advertising or selling con-

sumer products that pose a danger to human health or safety.

Health Canada can require companies to test their own products for safety and provide the department with the results. When products are found to be unsafe, most Canadian companies act responsibly and voluntarily recall them. However, if they do not, the government now has the power to issue the mandatory recall of these dangerous products from store shelves.

These new powers complement Health Canada's ongoing efforts to provide consumers with the information they need to make smart choices about the products they buy. With the

CCPSA's stronger legislative powers, Canadians can have new confidence in the products they purchase for themselves and for their families.

The CCPSA was a major accomplishment, but it's not the only action we're taking as a government. We recently put in place a number of new practices that maintain high safety standards while giving Canadians greater choice at the grocery store or the mall.

Building on our response to the Weatherill Report, our government passed amendments to the Food and Drugs Act this past spring that will streamline approval processes related to food, while maintaining the same rigorous, scientific safety assessments that have always supported Health Canada decisions.

Under the current food safety system, even once Health Canada scientists have determined that something is safe to be added to food—and could help prevent food borne illnesses—it can take many months and sometimes even years to make it legal through regulation changes. This benefits no one.

Additional projects underway address other elements of food safety. Food products that until now have been sold as natural health products will now be covered by the food regulatory

system. This started last fall with energy drinks, and will soon apply to other products such as other drinks, cereals and dairy products.

This transition will help Health Canada scientists assess the safety of these products based on how they are used by Canadians as part of their overall diet. New allergen labeling regulations for most foods sold in Canada came fully into effect this month. They will help Canadians who suffer from food allergies make more informed choices about the foods they buy. The new regulations require ingredient lists be easier to understand for the average person, so it will be easier to recognize foods that contain the ingredient to which they are allergic. A new definition of "gluten-free" will also increase the number of safe food choices available to Canadians dealing with celiac disease.

Our government has made significant investments to help protect the health and safety of Canadians. We've updated old legislation, and brought the rules into the 21st century. Actions speak louder than words, and our actions show our government is serious about consumer protection.

Health Minister Leona Aglukkaq represents Nunavut.
news@hilltimes.com
The Hill Times

CONSUMER CHOICE

CRTC, CBSC ensuring Canada's high standards for consumer choice maintained

'Technology is the key driver in shaping market forces and competitive opportunities,' says CRTC's Leonard Katz.

By LEONARD KATZ

The following is a speech Mr. Katz gave to the 50th National Conference of the Radio Television Digital News Association Canada—The Association of Electronic Journalists on June 23, 2012 in Toronto and has been edited for length and style.

The world of broadcasting has changed dramatically over the past five decades. All of us are continually challenged to get out ahead of new developments like convergence and the migration of media online.

This trend is accelerating, for the same reasons your business is evolving so swiftly: technological innovation. Technology is the key driver in shaping market forces and competitive opportunities. Keeping pace with rapid changes in today's increasingly digital world dominates much of our work at the Canadian Radio-television and Telecommunications Commission as we regulate the broadcasting and telecommunications industries in Canada.

I take encouragement from the words of the respected American

business writer, Tom Peters. He once wrote, "The winners of tomorrow will deal proactively with chaos. [They] will look at the chaos as a source of market advantage—not as a problem to be got around." People in the broadcasting business would be wise to heed his advice.

I would point out that that we've already implemented measures to ensure that Canadians in all markets have access to their local television stations, regardless of how they receive their programming. Last year, we updated our satellite distribution policy to require Bell TV and Shaw Direct to carry all local television stations supported by the Local Programming Improvement Fund.

Putting satellite distributors on the same footing as cable companies will ensure there will no longer be a difference in terms of the local stations they distribute. This will provide consumers with more choice in local news and information.

The CRTC, along with the Canadian Broadcast Standards Council, are here to ensure these high standards are maintained. For two decades, our two organizations have enjoyed a good working relationship, each with independent but complementary roles.

The commission's job is to ensure broadcasters meet their regulatory obligations under the Broadcasting Act, while the CBSC's role is to ensure private-sector broadcasters follow certain standards and codes of conduct. The CBSC plays an equally important role in keeping Canadians informed of their rights as well as broadcasters' responsibilities in upholding those standards, and providing an avenue for complaints if broadcasters fall short.

Thanks to these checks and balances, working together, we can avoid the heavy arm of the regulator coming down on broadcasters as they go about their business. If the industry polices itself and voluntarily complies with the Broadcasting Act's requirements, there is no need for the commission to intervene.

At the CRTC, we believe there is a place for self-regulation in both broadcasting and telecommunications. We support the use of this progressive form of regulation to address public interest issues. Because, even though the system is being administered by the industry itself, it is, ultimately, still regulation. On a more philosophical level, we respect that

free speech is a fundamental part of the fabric of Canadian society.

There is no question that achieving the right balance can be difficult. That's why the commission looks to the CBSC to provide impartial judgments about public complaints. We have also called upon its expertise on certain matters such as when we received complaints regarding Société Radio-Canada's *Bye Bye* 2008 broadcasts.

The CBSC is an expert body made up of people who work in the field and are highly knowledgeable about the business. Who better to determine if a broadcaster has stepped over the line?

In some countries, similar bodies function on a quasi-judicial basis. One of the strengths of the CBSC is that it was created by private broadcasters who clearly recognize the necessity of accountability to maintain their viewers' confidence.

The CBSC acts as an intermediary between the public and the regulator, removing the need for heavy-handed intervention. The CRTC is determined to leave business decisions to broadcasters—as long as you fulfill your end of the regulatory bargain.

Canada is considered a leader in developing this very

innovative way to balance competing interests in the marketplace. In fact, this approach has been adopted by many other countries around the world that recognize the benefits of our progressive model.

Don't get me wrong. I'm not suggesting that we are abdicating our responsibilities.

The council may propose codes of conduct, which must still be approved by the CRTC. And if people don't agree with the CBSC's judgments, we will review its decisions when required. Even though it doesn't happen often, we can also ask the CBSC to reconsider a decision. This is what we did last year when the public wrote to us following the CBSC's decision on the unedited version of the Dire Straits song "Money for Nothing."

We believe the CBSC has proven its value, repeatedly, by providing fair, balanced and impartial recommendations related to complaints between the public and private broadcasters.

Leonard Katz is the vice-chair, telecommunications for the Canadian Radio-television and Telecommunications Commission.
news@hilltimes.com
The Hill Times