

Political Update

Parliament and Politics - Changed Dynamics on the Hill

Robert Martin, Director, Research, CUCC

After a brief but busy session of Parliament the House of Commons did not sit for the week of February 16th. However, during the previous three-week sitting period the Conservative government's Budget Implementation Bill (C-10) was tabled, received second reading in the House of Commons and was then referred to the House of Finance Committee for review.

The Finance Committee, under the chairmanship of Conservative MP James Rajotte (Edmonton-Leduc), will begin considering Bill C-10 shortly after Parliament returns on February 23rd. Members of the Committee have agreed that their review of the Budget Implementation Bill should be completed no later than April 30, 2009 but given the current economic circumstances it is likely the Committee will complete its review rather quickly. Bill C-10 is an omnibus Bill with more than 500 pages of legislative proposals. Along with the usual spending items the Bill will also make many changes that impact the financial services marketplace and significantly modify the Competition Act. Canadian Central is reviewing Bill C-10 and will provide a more detailed analysis of the legislation in the next *Policy and Advocacy Report*.

Of interest to the financial sector, the House of Commons Finance Committee also agreed to undertake a study that would examine:

- government assistance to the Canadian financial sector;
- the impact of this assistance on public finance;
- the accountability measures concerning financial sector assistance;
- access to credit for individuals and businesses; and
- the protection of Canadian investors and the stability of the Canadian financial system.

This study will get underway after the Committee has finished reviewing Bill C-10 and will involve at least eight meetings to hear from officials from the Department of Finance, the Office of the Superintendent of Financial Institutions, industry representatives, the Export Development Canada, the Business Development Bank of Canada, the Financial Consumer Agency of Canada, the Canada Deposit Insurance Corporation and credit ratings agencies. The Committee will then seek to propose measures that “...aim to promote transparency and accountability while minimizing risks for public finance”. Canadian Central will be following this review carefully.

The combined effect of the Conservative Government's “near death” experience in December, a new Liberal leader and the gravity of the economic situation appears to have generated a more serious tone in Parliament and reduced some of the partisan rhetoric seen before the Christmas holidays. The Conservative Government also seems to be on the political defensive as indicated by recent Nanos Research polling indicating Conservatives and Liberals are in a statistical dead heat in popular support with 34 and 33 per cent, respectively. NDP support is at 16 per cent followed by the Bloc at 10 per cent and the Green Party at 10 per cent.

Prime Minister Harper has responded by shuffling top staffers in the his office after his Deputy Chief of Staff Patrick Muttart, the chief architect of the last two Conservative election wins, recently left without any public explanation. Despite these changed dynamics the current Parliament will likely survive until fall 2009 when many observers believe that the Liberals will be ready for an election.

Your Policy Team At Work

Although Parliament only resumed sitting on January 26, your policy team has already been hard at work. Here is a sample of our activities in the past few weeks.

Robert Martin, accompanied by representatives of Canadian Central's Agricultural Sub-Committee, joined other financial institution representatives in a meeting with Greg Meredith, Assistant Deputy Minister of Agriculture to discuss the future roll-out of the AgriInvest Program. This meeting came about as a result of letters sent to Agriculture Minister Gerry Ritz by Canadian Central and the Canadian Bankers Association outlining concerns about the Federal Government's timelines for the roll-out of the program. Further details about the AgriInvest Program can be found here: http://www.cucentral.ca/AG_9feb09.

In line with Canadian Central's objective of strengthening its relationship with key federal agencies, Brigitte Goulard met with representatives of Export Development Canada on January 26 and with representatives of the Business Development Bank on February 13. Discussions focused on how such agencies could assist credit unions in better serving their members.

Brigitte Goulard also met with Lucie Tedesco, Deputy Commissioner of the Financial Consumers Agency of Canada to discuss how Canadian Central could enhance its role in the financial literacy initiatives of the federal government.

Gary Rogers participated in the federal budget lockup on January 27 which, over a five hour period, provided access to the officials who wrote the budget and an opportunity to refresh acquaintances with helpful contacts at the Department of Finance.

Canada Student Loan - Update

Jan Hopper, Sr. Policy Advisor, Consumer Affairs, CUCC

On February 2 and 3, Human Resources and Skills Development Canada (HRSDC) hosted a meeting to discuss the Canada Student Loan Program with participating financial institutions. Canadian Central,

together with its Canada Student Loan administrator (CLAS Systems Inc.), attended this meeting on behalf of the credit union system. The purpose of the meeting was to discuss implementation of the government's new Repayment Assistance Plan (RAP).

This new Plan, which will come into effect August 1, 2009, will replace the existing Interest Relief and Debt Reduction in Repayment programs. The Plan introduces a new "affordable payment vs required payment" calculation that would provide students with increased assistance in repaying their student loans. Depending on the amount of a student's affordable payment relative to the required payment, the government may pay down principal and interest. Generally speaking, the government's goal is to have loans paid off in a 15 year time frame.

CUCC's Canada Student Loan (CSL) portfolio only includes those CSL loans granted before August 1, 2000 when the government's direct lending program came into effect. As such, the portfolio has been declining over the past eight years in terms of number of credit unions with loans, the number of loans and amounts owing. Of the 164 credit unions that originally held CSL in the program there are now only 13 credit unions with outstanding CSL loan balances in CUCC's portfolio. It is anticipated that all loans will be substantially repaid within the next three years, thereby materially ending CUCC's involvement in the Canada Student Loan program. For more information please contact Jan Hopper at (416) 232-3414 or hopperj@cucentral.com.



Plan to attend the 2009 Canadian Conference for Credit Union Executives, May 2 to 6 in Halifax for four days of networking, dynamic workshops and keynote addresses from some of today's most visionary minds as we look at bringing the "Future into Focus"

Register online today!

<http://www.cucentral.ca/eventsconf>



**Credit Union
Central of Canada**

Happening on the Hill

2009 Committees

Anna Morena, Policy Division, CUCC

Since the House of Commons returned to work on January 26, Parliamentarians have worked to constitute House of Commons Committees and get them up and running. Committees of the House of Commons (and Senate) play an important role in examining proposed legislation, reviewing complex matters of policy and the activities and expenditures of government departments. Committee hearings also provide an opportunity for MPs to hear from Canadians on issues of concern and to benefit from subject matter expertise.

Three House of Commons committees of likely interest to the credit union system were recently constituted including:

Standing Committee on Agriculture and Agri-Food

Constituted on February 3, 2009 with election of the Chair.

Chair: Larry Miller (Cons.)

Vice-Chairs: André Bellavance (B.Q.); Hon. Mark Eyking (Lib.)

Members: Alex Atamanenko (NDP), France Bonsant (B.Q.), Wayne Easter (Lib.), Randy Hoback (Cons.), Pierre Lemieux (Cons.), Blake Richards (Cons.), Bev Shipley (Cons.), Brian Storseth (Cons.), and Francis Valeriote (Lib.)

Standing Committee on Industry, Science and Technology

Constituted on February 5, 2009 with election of the Chair.

Chair: Hon. Michael D. Chong (Cons.)

Vice-Chairs: Robert Bouchard (B.Q.); Anthony Rota (Lib.)

Members: Gord Brown (Cons.), Siobhan Coady (Lib.), Marc Garneau (Lib.), Mike Lake (Cons.), Brian Masse (NDP), Dave Van Kesteren (Cons.), Robert Vincent (B.Q.), Mike Wallace (Cons.), and Chris Warkentin (Cons.)

Standing Committee on Finance

Constituted on February 3, 2009 with election of the Chair.

Chair: James Rajotte (Cons.)

Vice-Chairs: Jean-Yves Laforest (B.Q.); Massimo Pacetti (Lib.)

Members: Hon. Maxime Bernier (Cons.), Robert Carrier (B.Q.), Bob Dechert (Cons.), Daryl Kramp (Cons.), Hon. John McCallum (Lib.), John McKay (Lib.), Ted Menzies (Cons.), Thomas J. Mulcair (NDP), and Mike Wallace (Cons.)

Statistical Report

Insolvency in Canada

Sandra Brizland, Research Analyst, CUCC

The Office of the Superintendent of Bankruptcy recently released insolvency statistics based on December 2008 data. Results indicate that compared to the same period last year total bankruptcies in Canada are on the increase. For example, there were 8,299 bankruptcies in December alone, soaring 46.7% from the 5,659 reported a year earlier. Consumers account for the vast majority of bankruptcies with a large 50.6% increase over the monthly totals from a year ago. Surprisingly, the total businesses going under rose by only 2.4%, when comparing December 2008 with December 2007 figures. Furthermore, when comparing 2008 to 2007 12 month period business bankruptcy data, one finds that business bankruptcies actually declined by 2.0% in 2008. Proposals filed by businesses also declined by 14.8% when comparing December 2008 and December 2007 figures.

Interestingly, for a second consecutive month, the overall number of bankruptcies has declined in comparison to the high of 9,468 recorded in October when the turmoil in the economy first began. However, month-to-month comparisons are generally considered too volatile to be a sign of an overall shift, particularly in light of the recent announcement of the worst single, monthly job loss on record in January.

With respect to total bankruptcies, all provinces with the exception of Newfoundland, reported significant increases when comparing December 2008 results with a year earlier. Leading the way were Alberta, New Brunswick, Nova Scotia and Prince Edward Island with rises of 98.1%, 58.6%, 54.1% and 267%, respectively. Newfoundland saw the only decline in total bankruptcies of 14.5%.

The Superintendent's Insolvency Statistics in Canada report can be obtained at: <http://www.ic.gc.ca/eic/site/bsf-osb.nsf/eng/br02112.html>



Statistics Canada – Farm Debt Statistics

Sandra Brizland, Research Analyst, CUCC

In late November Statistics Canada released its annual Agriculture Economic Statistics report on Farm Debt Outstanding documenting the years from 1981 to 2007. Canadian Central's Research Department has analyzed the data and a number of interesting highlights are outlined below:

- Credit unions/*caisses populaires* combined held 17.5% of the farm debt in Canada in 2007; banks held 41.1%.
- Excluding Quebec data, farm debt outstanding amounted to \$44.2 billion in 2007.
- Credit unions/*caisses populaires* affiliated with Canadian Central controlled 11% of this farm debt. In 1993, the affiliated system held only 5.2% of the farm debt outside of Quebec.
- The credit union system's share has steadily increased over the last 15 years, as farm debt outstanding grew at an annual rate of 6.5%.
- While banks have experienced an average annual growth rate of 6.3%, outside of Quebec, over the last 15 years, growth has subsided significantly during the last five years with an average annual growth rate of 2.65%. In fact, debt load held at banks, outside of Quebec, in 2007 was 42.3% of the total farm debt outstanding, down from the high of 48.5% in 2000.
- Credit unions/*caisses populaires* have maintained their growth during the last five years with an average annual growth rate of 6.1%.
- Nationally (excluding QB), federal government agencies held 27.3% of the farm debt outstanding market in 2007. This number has consistently grown over the years. The average annual growth rate over the last 15 years is 10% and 11.6% over the last 5 years. In 1993, these agencies held only 9% of the national market.
- Regionally, the Manitoba and Saskatchewan credit union systems were major holders of farm debt outstanding in their provinces in 2007, controlling 25.8% and 23.1%, respectively. The remaining provinces held between 1% and 6.1% of their regional market share in farm debt outstanding.
- The Manitoba credit union system has steadily reported remarkable growth over the last 15 years, with an average annual growth rate of 9.6%. Similarly, the average annual growth rate over the last five years is 9.8%.
- While growth has been virtually stagnant during the past two years in Saskatchewan, the provincial credit union

system has still reported an average annual growth rate of 2.7% over the last five years and 4.6% over the last 15 years.

- Strong growth is reported by the Ontario credit union/*caisse populaire* system each year, with an average annual growth rate of 10.1% over the last 15 years, however, the affiliated system's share of the provincial market is only at 5.6%.
- The Alberta credit union system held 6.1% of the province's debt load with farm loans growing at an average annual rate of 8.1% over the last 15 years.
- BC credit unions held 3.9% of the provincial farm debt outstanding, slipping from a 4.7% share in 2006. A decline was reported in both 2006 and 2007. (-7% and -6.8%, respectively). Provincial market share was at a high in 2003 at 8.1%

To see the full report: <http://www.statcan.gc.ca/pub/21-014-x/21-014-x2008002-eng.pdf>

CMHC Housing Start Data

Sandra Brizland, Research Analyst, CUCC

The economic bad news continues with the latest release of the Canada Mortgage and Housing Corporation (CMHC) Preliminary Housing Start Data Report. According to the February 2009 report on the nation's housing market; the seasonally adjusted and annualized figure for housing starts was 153,500 units, down 10.9% from 172,200 units the previous month. The decline is attributed to dwelling starts in urban centres of a population of 10,000 and over. Other areas in Canada actually saw an increase in starts of 21.3%.

All regions in Canada experienced declines in the housing market in January. Provinces west of Ontario were hardest hit. After maintaining comfortable increases in monthly housing starts throughout most of 2008, Manitoba experienced the largest drop of 58%. Saskatchewan followed at 48.3%, British Columbia at 29.1% and Alberta at 19.2%. Urban construction fell 14.6% in Ontario and 8.6% in the Atlantic region.

The resale market is also having an impact on new home construction. Reduced sales and increased listings in the resale market have left potential buyers with more choice in existing homes, resulting in a decline in new housing demand. According to the Canadian Real Estate Association (CREA), MLS®

sales in Canadian markets decreased by 1.8% to 27,357 units in December 2008, compared to 27,850 units in November 2008. In all of 2008, actual MLS® sales were down 17.1% from 2007 results.

NB: this housing start report is based on preliminary data available up to January 2009. To see full report:

http://www.cmhc-schl.gc.ca/odpub/esub/64695/64695_2009_M02.pdf

Federal Task Force on Financial Literacy

Jan Hopper, Senior Policy Advisor, Consumer Affairs, CUCC

In the 2009 Budget, the Federal Government announced that an independent Task Force would be created to make recommendations on a national strategy on financial literacy. Task Force members will be invited to participate by the Hon. Jim Flaherty, Minister of Finance. It is expected that the Task Force will convene this spring.

Canadian Central has been in touch with the Department of Finance to ensure officials are aware of the financial literacy programs that credit unions across the country already have in place. It is hoped that this experience will warrant a credit union representative on the Task Force. There are a number of very active credit union programs in this area including the “Your Money Matters” program of Northern Savings in BC; the “High School Financial Literacy Program” of Atlantic Canada, originated by Bergengren Credit Union; and “Your Money’s Worth” youth financial program in Saskatchewan.

Canadian Central would appreciate a fuller view of credit union efforts in this area and welcomes input from provincial Centrals about what other programs are in place in their regions. To this end, please provide a brief description of the program and a contact person to hopperj@cucentral.com.

Canadian Central will be writing Minister Flaherty to put forward names for consideration for credit union representation on the Task Force.

Stewardship Ontario

Ontario Government Consults on Paying for Waste
Jan Hopper, Sr. Policy Advisor, Consumer Affairs, CUCC

The Government of Ontario's Stewardship Ontario program, developed as a result of the Waste Diversion Act, came into effect in 2004. The goal of the Stewardship Ontario program is to minimize the impact on the environment of packaging. Under the program organizations in Ontario that produce packaging and material that ends up in residential “blue boxes” are assessed fees intended to offset 50% of the costs associated with the municipal blue box programs.

The program requires that organizations residing in Ontario, with over \$2 million in gross revenue that produce 15,000 kilograms or more of packaging or printed material, register as “Stewards”. Companies meeting these thresholds are required to file an annual report to Stewardship Ontario and pay the applicable fees based on the type of material produced and the total aggregate weight. For example, the 2009 fee for general print material is 3.373¢/kilogram produced. The highest fees are allocated to certain plastic packaging which incurs a rate of 19.027¢/kilogram.

There are penalties assessed both for failure to pay the set fees as well as failure to register as a “Steward” if you meet the criteria. Ontario credit unions have had to determine on an individual basis if they meet the thresholds which would require the registering as “Stewards”.

Waste Division Ontario, at the request of Ontario's Minister of the Environment, is reviewing the Blue Box Program and is including the participation of “Stewards” in a consultation process. The review will consider changes to the program including increasing the target to be paid by Stewards from the current 50% to 100% of the costs of the municipal blue box programs. Stewards are welcome to comment on the consultation until February 27. A copy of the consultation document can be found at: <http://www.wdo.ca/files/domain4116/Draft%20Preliminary%20Report%20for%20Consultation%20-%20BBPP%20Review%20Report%20Feb%206%2009.pdf>.



Fraud Report

Debit Card Skimming Picture

Heather Mitchell, Policy Analyst, CUCC

Credit Union Central of Canada hosted three, one-day symposia last November in Calgary, Regina and Winnipeg, for 158 users of the National Node Fraud Alert Service (FAS). The guest speakers provided presentations from both a national and local perspective. Topics included:

- Credit union statistics and FAS
- Skimming fraud management
- Canada-wide financial industry losses
- Chip impact
- Local cases by law enforcement.

The presentations included the following points of interest to credit unions:

1. Credit union debit card skimming losses increased by 9.3% in 2008 over figures for 2007. At least 6,000 members experienced fraud on their credit union accounts. These higher credit union loss numbers occurred as the national Interac Association figures decreased for the first time ever.

2. The credit union Fraud Alert Service (FAS) requires information from each affected credit union, as soon as the data is available. This data helps identify the time period when skimming was taking place (skimming window). Credit unions are responsible for fully reporting details of debit card fraud, in a timely manner.

3. Efforts by criminal elements to take advantage of the current magnetic stripe environment will likely increase the risk of skimming over the near term. Skimmers may be feeling pressure to maximize their efforts before the introduction of chip technology makes the marketplace less profitable for them.

Re-introduction of legislation like the Bill C-27, which was still in committee when Parliament was prorogued, could address issues that directly affect skimming. This would make Canada less hospitable to skimmers in the next few years and lend protection

to credit unions while they transition to chip technology.

Copies of the November symposium presentations by Dan Heaman, Barry Bundus and Catherine Elloitt are available on the Canadian Central website www.cucentral.ca under Member Resources - Risk Management.

New on the CUCC website

Issue papers covering various topics of interest

1. Identity Theft Legislation -

http://www.cucentral.ca/ID_9feb09

2. Electronic Funds Transfer Code of Practice -

http://www.cucentral.ca/EFT_9feb09

3. Crime Prevention Office and Access to the Grid Network -

http://www.cucentral.ca/CPO_9feb09

4. “AgrilInvest” Producer Savings Accounts –

http://www.cucentral.ca/AG_9feb09

Business Relationship Management Career Development Program webinar availability and registration information -- (log-in required)

http://www.cucentral.ca/BRM_9feb09

New resources and information on International Financial Reporting Standards (IFRS) Credit Unions Readiness Initiative can be found in the Member Resource section of Canadian Central's website at <http://www.cucentral.ca/ifrs> (log-in required)

National Node processes Chip transactions article can be found in the Members Resource Section of the site at http://www.cucentral.ca/Chip_9feb09

The *Policy and Advocacy Report* is published by Credit Union Central of Canada. For editorial or general inquiries please contact:

Brigitte Goulard
Vice President, Policy
goulardb@cucentral.com
(613) 238-6747 extension 300

Credit Union Central of Canada
300 The East Mall, Suite 500, Toronto, ON M9B 6B7
(416) 232-1262
www.cucentral.ca