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Submission to the House of Commons Standing Committee on Procedure and House Affairs for the Review of the Conflict of Interest Code for Members of the House of Commons

(February 27, 2022)

A. Negligent for Committee to rush its review of the MP Code

Democracy Watch, and the Government Ethics Coalition that it coordinates which is made up of 30 citizen organizations from across Canada, welcomes the opportunity to make this submission to the Committee during this long-overdue review of the Conflict of Interest Code for Members of the House of Commons ("MP Code"), with the hope that the Committee will, finally after 18 years, recommend key changes that will make the Code effective in preventing, prohibiting and penalizing conflicts of interest and unethical gifts and favours.

Given the *MP Code* is one of the only sets of comprehensive rules concerning how MPs should make decisions and conduct themselves, and that many of the rules raise serious democratic good government issues, it is very disappointing, and essentially negligent, that the Committee has in the past reviewed the *Code* quickly with only a few meetings and a few witnesses.

It will be equally negligent, in this first review of the *Code* in seven long years, and after holding only three brief meetings, if the Committee moves

quickly this week to decide on whether to recommend any changes to the *Code*, and which changes to recommend, to the House of Commons.

As the Ethics Commissioner noted in his testimony before the Committee on December 14, 2021, surveys have shown that a large segment of the public lacks trust in politicians, and that segment has been increasing in recent years. If the Committee rolls over and again does nothing to make the MP Code effective, and enforcement effective, or worse again weakens the Code, it will give voters yet another good reason to distrust MPs even more (adding to the reasons that the loophole-filled Code, and past reviews that have done nothing to close the loopholes, already give voters).

It will be especially negligent if the Committee moves to quickly end its review of the *Code* because the House of Commons Standing Committee on Access to Information, Privacy and Ethics:

- 1. Will soon be reviewing the *Lobbyists' Code of Conduct*, which contains rules that relate directly to the *MP Code* rules;
- 2. Is required to review the *Lobbying Act* this year, which also contains rules that relate directly to the *MP Code* rules, and;
- 3. Held extensive hearings in 2020 and early 2021 on conflicts of interest and lobbying in government spending decisions, and issued a report in June 2021 with several recommendations that the Procedure and House Affairs Committee has not even reviewed, and is essentially ignoring, including ignoring the evidence gathered during that study, and how the recommendations relate to the rules and enforcement of the MP Code.

With the hope that the Committee will not negligently move to conclude its review of the *MP Code* this week, Democracy Watch welcomes the opportunity to testify again before the Committee to have an actually serious discussion of the *Code*'s rules and enforcement system, instead of the superficial, perfunctory review that the Committee has undertaken so far in its three brief meetings.

Very unfortunately, the previous times that the Committee has reviewed the *Code* since it was enacted in 2004, it has either recommended changes that have added even more loopholes than the original *Code* contained, allowing for even more conflicts of interest and unethical favours, or has done nothing to close loopholes or strengthen penalties, and little to strengthen enforcement.

The *MP Code* needs to be strengthened in several significant ways because it contains huge loopholes and flaws that, in combination, mean it really should be called the "*Almost Impossible to be in a Conflict of Interest Code for Members of the House of Commons."*

In other words, the *MP Code* is a sad joke. It is almost impossible to be in a conflict of interest under the *MP Code* because huge loopholes:

- a) allow MPs to participate in almost all decisions and actions even when they have a secret financial conflict of interest and will profit secretly from the decision or action;
- allow MPs to do essentially anything for their constituents (including giving preferential treatment to constituents who fundraise, campaign or volunteer for them, or give them gifts or do other favours for them);
- allow lobbyists to do secret favours for MPs and give them, their families and associates the gift of an unlimited number of trips of unlimited value while lobbying them;

and the *Code* doesn't even apply to MPs staff (so they can do the very few things on behalf of their MP that the *Code* prohibits MPs from doing).

The enforcement of the *MP Code* also needs to be strengthened because it is fatally flawed and undermined by conflicts of interest itself, and there are no effective penalties for violating the most important rules, violations that would result in most people across Canada being suspended or fired from their jobs.

B. Ethics Commissioner's proposals too weak, other key changes needed

Democracy Watch's responses to the Ethics Commissioner's <u>submission to the Committee</u> which contained six general recommendations for changes to the *MP Code* are incorporated into the summary list of key changes needed to the *Code* that are set out below, changes needed to make the *Code* actually effective at preventing and prohibiting conflicts of interest, and preventing and prohibiting gift- and favour-trading (especially with lobbyists) so that MPs and their staff do not owe any voter more than any other voter, and so that conflicts of interest do not prevent them from making decisions in the public interest.

While Democracy Watch generally agrees with recommendations 2-6 made by the Ethics Commissioner, they all have flaws (as does recommendation 1) and, overall, they completely ignore huge loopholes that allow for unethical decision-making by MPs, and they do nothing to strengthen enforcement. Overall, the Commissioner's recommendations also completely ignore the standard set out in the Supreme Court of Canada's seminal 1996 ruling *R. v. Hinchey* which stated in para. 18 that "given the heavy trust and responsibility taken on by the holding of a public office" it is appropriate that office holders are "held to codes of conduct, which, for an ordinary person, would be quite severe".

The Ethics Commissioner's recommendations also ignore the (unfortunately unenforceable) standards set by the expectations in section 2 of the *MP Code* that MPs make decisions in the public interest, uphold the public trust and, essentially, serve every voter equally and give every voter an equal opportunity for equal participation in federal policy-making processes (thereby upholding the fundamental democratic principle of one person, one vote).

Most everyone focuses on the question of whether an MP has done something to help a private interest -- but an MP can also help a private interest by doing nothing, by not asking a question in the House or at Committee, or not even considering the changes a stakeholder is requesting the MP to push for to regulate that private interest in one way or another. As a result, MPs must be required to be as independent as possible of all private interests while they are an MP.

Ethics Commissioner Dion's weak, somewhat contradictory and somewhat confused recommendations are not surprising given that he had a <u>record of eight unethical and questionable actions</u> when <u>he was the Public Sector Integrity Commissioner</u>, and was handpicked by the Trudeau Cabinet through a secretive, dishonest process that the <u>Federal Court of Appeal ruled was biased</u>, and has issued several highly questionable rulings during his time as Ethics Commissioner since early January 2018 that allowed clear violations of federal ethics rules, and has made several unclear and confusing statements in the past concerning ethics rules and standards.

While Democracy Watch has some concerns with the Ethics Commissioner's six recommendations, it agrees with the nine technical recommendations made by the Ethics Commissioner in the Annex of his submission to the Committee.

To make one key point entirely clear, some MPs on the Committee have proposed that the Code be replaced by a short list of general, broad principles. Such codes do not work for two reasons. First, to be effective the principles would have to be defined, which means that a long list of specific guidelines, advisory opinions and interpretation bulletins that cover multi-varied situations would need to be issued. Secondly, if that is not done, general principles would allow the MP or staff person, and the public, to interpret each principle differently and make different claims about whether the principle had been violated. Depending on the situation, this would either be unfair to the MP

or the staff person when they interpret a principle in a reasonable way that some segment of the public disagrees with through an unreasonable interpretation, or it would undermine the public's confidence even more when most voters largely disagree with an MP or staff person claiming innocence by defining a principle in a clearly self-interested, weak way.

In other words, if you want effective rules, there is no escape from having detailed rules (and detailed guidelines) that draw clear lines that everyone understands clearly.

The summary list of changes that need to be made to the *MP Code* to make it effective, and to make enforcement effective, changes that tens of thousands of voters have called for in letters to MPs, and to this Committee, in the past several years, are as follows:

I. To close huge, unethical loopholes in MP Code rules:

- 1. Add a section stating that the *Code* applies as soon as an election candidate's victory is confirmed by Elections Canada. As well, the definition of "official" in subsection 118, and the definition of "member of Parliament or the legislature of a province" in clause 119(1)(a) of the *Criminal Code*, must also be changed so that they apply as soon as the election of an MP is confirmed by Elections Canada. The loopholes in these rules currently mean that it is legal to give gifts to, do favours for, and bribe, someone who has won an election but has not yet taken their oath of office. There is also an argument that these definitions should be applied as soon as someone is confirmed as an election candidate, given candidates in "safe" seats are essentially guaranteed to win election.
- Add a section to require MPs and their staff to tell the truth to stop the
 misleading spin that regularly and fatally undermines reasonable policy
 debates and discussions.
- 3. Add a section to prohibit MPs from switching parties in between elections except when their party leader violates the law or breaks significant election promises or party policies (to prevent MPs from overriding voters' choice in the previous election only because of their own personal ambition, or for a reward from another party leader).
- 4. **Expand the Code to cover MP staff** who, because they are not covered by the *Code*, can currently do the things that MPs are prohibited from doing on their MP's behalf, and can also accept all gifts and favours, including from lobbyists. The rules in subsections 3(2) to 3(4), 4, 5 (which

- should be deleted from the *Code*), 7 (which should be amended as recommended by the Ethics Commissioner, as set out below), and sections 8-19 (amended or deleted as set out above) of the *MP Code* should be extended to cover every member of their staff.
- 5. **Either delete section 2 or amend it and make it enforceable.** Section 3.1 was added to the *MP Code* in 2009, and it essentially says that the key ethics rules in section 2 are not enforceable. This part of section 3.1 should be deleted, and the beginning of section 2 should be changed from saying "members are expected" to "members are required". If this change is made, subsections 2(a) and (c) should be deleted, as should the end of subsection 2(b) from "and maintain and enhance..." on, as they set standards that are so vague that they are unachievable and, therefore, unenforceable. If this change is not made, section 2 should be deleted as it sets out aspirational standards that are either unachievable or that MPs have shown they have no interest in achieving, standards that are cited by the public and media when situations arise even though MPs are not required to comply with the standards.
- 6. Extend the Code to cover the private interests of extended family and friends of MPs, with "family" and "friends" defined as the Ethics Commissioner recommends in his Recommendation #2 (with "friends added to sections 8-10 and 12 and 13). Require MPs to disclose to disclose a list of family members and friends to the Ethics Commissioner. Require MPs to disclose in the Public Registry which members of their extended family they have close relationships with including being aware of their business, investments and other private interests.
- 7. Amend subsection 3(2) so it covers not only MP financial conflict of interests but also social and political interests. In the <u>Trudeau II Report</u> about the SNC-Lavalin scandal involving the Prime Minister and other top government officials, Commissioner Dion defined "private interests" in the *Conflict of Interest Act* (which covers Cabinet ministers, their staff and appointees) as including "financial, social or political interests" (paragraphs 288 to 292). Subsection 3(2) of the *MP Code* should be amended to make it clear that the definition of "private interest" covers financial, social and political interests.
- 8. Close the huge loophole in the definition of "private interest" in subsection 3(3) which is also referred to in each of sections 8 to 13.1 because the loophole means the *Code* doesn't apply when MPs are making a decision that applies generally or affects the MP as one of a broad class of the public, which covers 95% of decisions MPs participate in, thereby allowing MPs to take part in decisions when they, their family or friends can profit from the decision.
- 9. **Delete section 5 as it is a huge loophole.** Incredibly, even though it is a huge loophole, the Ethics Commissioner doesn't even mention section 5 in his <u>summary of the rules in the *MP Code*</u> and no Ethics Commissioner has issued a guideline since 2004 that in any way defines section 5,

- especially what exactly are the activities in which MPs "normally and properly engage on behalf of constituents".
- 10. Add a new rule to prohibit MPs from giving preferential treatment to anyone, especially anyone who has given them a gift or assisted them in any way (including with their campaign(s) as a candidate).
- 11. Change s. 7 to prohibit MPs and their staff from outside activities because those activities create clear conflicts of interest (other than professional requirements like doctors who have to practise a specific amount each year in order to retain their licence). The Ethics Commissioner's Recommendation 3 re: outside activities is not strong enough, and includes a confused and confusing statement that an MP could do other paid work when Parliament is adjourned in the summer.
- 12. Add a new rule requiring MPs to work full-time, and to disclose a summary of their work activities, including communications with anyone or any entity who is trying to influence their decisions, in an online, searchable database.
- 13. The words "A member who has a private interest" at the beginning of section 12 must be replaced with the words "When a member, a member of the member's family, or a friend of the member, has a private interest". And the words "he or she has a private interest" at the end of section 13 must be replaced with the words "he or she, or a member of his or her family, or his or her friend, has a private interest". These changes are needed to match the wording in sections 8 to 10 (with the addition, as proposed by the Ethics Commissioner, of "friends" to those sections) to ensure it is clear that an MP is required to give public notice and recuse themselves from any discussion, debate, decision or vote when in a conflict of interest.
- 14. The Ethics Commissioner's Recommendation 1 re: gifts is weak and incomplete. Instead, change the section 14 gifts and benefits rule to ban MPs and their staff from accepting anything from anyone who is trying to influence their decisions (including volunteer assistance under the definition of "benefit" in ss. 3(1)) because even small gifts influence decisions.¹
- 15. **Delete s. 15 of the** *Code* **to ban "sponsored travel"** because it is an unethical gift and essentially a form of legalized bribery. The Ethics

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¹ Link is to Alix Spiegel, "Give And Take: How The Rule Of Reciprocation Binds Us," NPR.org, November 26, 2012, online: https://www.npr.org/sections/health-shots/2012/11/26/165570502/give-and-take-how-the-rule-of-reciprocation-binds-us. See also Robert Cialdini and Noah Goldstein, "The Science and Practice of Persuasion," (2002) 43(2) *Cornell Hotel and Restaurant Administration Quarterly* 40 at 44; Robert Cialdini and Steve Martin, Science of Persuasion, online video: https://www.youtube.com/watch?v=cFdCzN7RYbw/; Robert Cialdini and Steve Martin, "The Power of Persuasion," (2006) Dec. *Training Journal* 40 at 41. Douglas T. Kenrick, "The 6 Principles of Persuasion: Tips from the leading expert on social influence," online: *Psychology Today* https://www.psychologytoday.com/blog/sex-murder-and-the-meaning-life/201212/the-6-principles-persuasion>. David Schultz, "Ethics Regulation Across Professions: The Problem of Gifting," (2010) 12:2 *Public Integrity* 161 at 165-166. Adam Graycar and David Jancsics, "Gift Giving and Corruption," online: (June 7, 2016) *International Journal of Public Administration*, https://doi.org/10.1080/01900692.2016.1177833 at 3-4.

- Commissioner's recommendation 4 is too weak as it would still allow sponsored travel for speaking engagements at conferences, and lobby groups would just switch to inviting MPs to give all-expenses paid conferences abroad.
- 16. If a new rule is going to allow internship programs controlled and run by outside organizations to be given as a "gift" to MPs, each program must be registered with the Ethics Commissioner and disclosed within 30 days of the start of each internship in an online searchable public registry, with each MP who receives an intern disclosed, to ensure that the public can easily track which organizations are running internship programs.
- 17. **Subsection 21(1) allows an MP to hide** from the Ethics Commissioner an asset or liability of up to \$10,000 (and a credit card balance that is more than \$10,000 as long as it has not been outstanding for more than six months). This is much too high an amount -- it should be lowered to \$1,000 (which is the threshold for disclosure of income).
- 18. **Delete section 17 and clause 24(3)(j)** because they allow MPs to have secret investments in businesses (24(3)(j) through secret investments in open-ended mutual funds in secret, even if the investment is greater than \$10,000) and to have a blind trust. The <u>Parker Commission</u> recommended way back in 1987 banning investments and blind trusts. If an MP owns or partially owns a family business and, as a result, cannot sell it, their interest in the business must be fully disclosed, and they must be required to recuse themselves from any discussions, debates or votes when they have even an appearance of a conflict of interest.²
- 19. Subsection 24(3) allows an MP to hide from the public an asset, income or liability of up to \$10,000. That is much too high an amount -- the disclosure threshold should be lowered to \$1,000 for real property, and all investments in business securities (stocks, corporate bonds etc., including through mutual funds) should be required to be disclosed, as the U.S. federal law requires Members of Congress to disclose.
- 20. Require MPs and their staff to disclose their past five year's work in the Public Registry their work before they became an MP or staff person to make it easy to track which organizations and issues to which they have ties.
- 21. Add a new rule prohibiting post-office activities of MPs and their staff so that they are prohibited from communicating with their former colleagues and government officials for a sliding-scale time period after they leave depending on what positions and committees they served in and how close their relationships are with Cabinet ministers, officials etc., and require them to disclose their post-activities online during this time period in a searchable database.

² See p. 12 of the linked Library of Parliament report, or Chapter 27, pp. 343-361 (especially 360-361) of the <u>Parker Commission report</u>).

II. To increase awareness and understanding of MP Code rules:

- 22. Require MPs and their staff to take a formal training course when they first start their position, and annually (as proposed by the Ethics Commissioner's recommendation 5).
- 23. The Ethics Commissioner's recommendation 6 re: issuing guidelines is too weak. Instead:
 - a. require the Ethics Commissioner to issue a public, detailed guideline online for every provision in the MP Code (which should have been done within the first year the Code was enacted (i.e. by 2005)), and;
 - b. require the Ethics Commissioner to publish online a summary of his/her advice to any person covered by the Code each time advice is given that covers a new, unprecedented situation (without disclosing the person's identity to whom the advice is given). The Commissioner has been allowed to do this under subsection 26(4) of the MP Code, and should have been doing since 2004. Incredibly, after 18 years, all the Ethics Commissioners combined have only issued two public advisory opinions.

III. To make the current negligently weak enforcement effective:

- 24. Add a new section requiring the Ethics Commissioner to conduct an audit annually of a randomly selected sample of MPs' financial statements and activities because all studies show³ that this is a basic requirement for effective enforcement of any law, regulation, code, policy or rule.
- 25. Subsections 27(1) and 27(3.2) and 28(1) of the MP Code must be amended to allow members of the public to file complaints, and to require the Ethics Commissioner to issue a public ruling on all complaints filed by members of the public and all situations which the Commissioner reviews. It is simply ludicrous that members of the public, who employ and pay the salaries and expenses of every federal MP, and their staff, do not have a right to have a complaint they file about the conduct of an MP or their staff investigated and ruled on publicly by the Commissioner. If the Commissioner finds that a complaint has no

³ Bateson, Melissa, Daniel Nettle and Gilbert Roberts "Cues of being watched enhance cooperation in a real-world setting" online: (2006) 2 *Biol. Lett.* 412 <DOI: 10.1098/rsbl.2006.0509/>. L.J. Brooks & D. Selley *Checklists For Creating & Maintaining an Ethical Corporate Culture*, online: 2008 Canadian Centre for Ethics & Corporate Policy http://www.ethicscentre.ca/EN/resources/Checklists-Dev_&_Maint_Eth_Corp.pdf. Dr. A. Scott Carson, Dr. Mark Baetz and Professor Shelley McGill *Codes of Conduct in the Private Sector: A Review of the Academic Literature from 1987 to 2007*, online: (2008), pp.6, 23-26 http://www.ethicscentre.ca/EN/resources/ethicscentre_codes_april08.pdf. Maurice E. Stucke, In Search of Effective Ethics & Compliance Programs, online: (2014) 39 *Journal of Corporation Law* 769 University of Tennessee Legal Studies Research Paper No. 229 http://ssrn.com/abstract=2366209/. John Braithwaite, "White-Collar Crime," (1985) Vol. 11 *Annual Review of Sociology* 1 at 8-11 and 16-17. John Braithwaite, "Diagnostics of White-Collar Crime Prevention," (2010) 9:3 *Criminology & Public Policy* 621 at 625.

- basis at all, the Commissioner should still be required to issue a public ruling, but the ruling would not be required to name the MP in order not to tarnish them with a false accusation.
- 26. MPs in the House should not be deciding whether their colleagues are penalized for a violation. The House is a kangaroo-court by definition, given it is made up of politicians who almost always vote along party lines (and are usually whipped by their party leaders so they are required to vote along party lines). As a result, subsections 28(9) to (13) should be removed from the Code, and subsection 28(6) should be changed to empower and require the Ethics Commissioner to impose a penalty in every case.
- 27. Amend subsection 28(6) to set out a specific sliding scale of mandatory fines and unpaid suspension periods that the Ethics Commissioner is required to impose for all violations, increasing as the significance of the violation increases. The fact that Canadians face a higher fine for parking illegally than MPs face for violating key government ethics rules is a sad joke. The level of mandatory fines, and the length of the suspension periods, should be established by an independent commission made up of experts in deterrence and punishment.⁴ The penalties must be mandatory and significant, as scholars have found that such penalties are needed to discourage violations⁵. The Ethics Commissioner should not be given any discretion in deciding whether to impose a penalty because the Commissioner and similar commissioners across Canada have shown clearly over the past 20 years that they are very reluctant to even find anyone guilty of violating code rules (no matter how clear the violation) let alone to penalize violators. For example, the former federal Ethics Commissioner Mary Dawson, and the former federal Commissioner of Lobbying Karen Shepherd, both let off approximately 85% of the people they found in violation of the rules.

The proposals of a growing number of scholars for sliding scale penalties based on the ability to pay (taking into account that that federal politicians are paid \$185,500 up to \$250,000 annually),

pay (taking into account that that federal politicians are paid \$185,500 up to \$250,000 annually), which is another mitigating factor which aligns both with the standard theory approach to law enforcement and the aim of ensuring fairness in the imposition of penalties (if the difficulty can be overcome of determining the actual wealth of the person or entity who violated the law). Elena Kantorowicz-Reznichenko and Maximillian Kirk, "Day fines: asymmetric information and the secondary enforcement system," (2020) 49 *European Journal of Law and Economics* 339. Arash Nayerahmadi and Stephanie Ben-Ishai, "Over-Indebted Criminals in Canada," (2019) Vol. 42 No. 4 *Manitoba Law Journal* 207. Alec Schierenbeck, "The Constitutionality of Income-Based Fines," (December 2018) Vol. 85, No. 8, *The University of Chicago Law Review* 1869. Elena Kantorowicz-Reznichenko, "Day Fines: Reviving the Idea and Reversing the (Costly) Punitive Trend," (2018) Vol. 55 *American Criminal Law Review* 333. Sally T Hillsman, "Fines and *Day Fines*" (1990) 12 *Crime & Justice* 49.

⁵ A. Mitchell Polinsky and Steven Shavell "The Theory of Public Enforcement of Law" in Polinsky, A. Mitchell and Shavell, Steven, eds. *Handbook of Law and Economics* (Elsevier B.V.: Volume 1 [2007]), at 407-408. The standard theory of public law enforcement is that clear rules plus the chance of getting caught plus the level of standard penalty (loss of position, fine, jail term) plus the ability to endure the penalty (replace the position, pay the fine and/or do the time) equals the overall disincentive to the gain that results from doing harm (including acting unethically).

28. Add a section stating that anyone is allowed to challenge any decision by the Ethics Commissioner in court. The Federal Court of Appeal has ruled that a law or code must explicitly give members of the public the right to challenge a decision by the Commissioner in court or they will not have that right. Given the Commissioners have, right back to 2004, ignored the rules of the Code or the facts in many cases, letting off MPs for clear violations, it is essential that the public have the right to challenge the Commissioner's rulings in court.

Many other changes are needed to other federal laws, including closing similarly huge loopholes in the <u>Conflict of Interest Act</u> (which applies to Cabinet ministers, staff and appointees) and the <u>Senate Ethics Code</u>, closing huge secret, unethical lobbying loopholes, decreasing the donation limit in the <u>Canada Elections Act</u> to \$75 (as the current donation limit of \$3,300 is essentially legalized bribery for those who can afford to make the maximum donation), closing huge excessive secrecy loopholes in the federal <u>Access to Information Act</u>, <u>strengthening the whistleblower protection law</u>, and changing the way that the Ethics Commissioner and other democratic good government watchdogs are appointed (given MPs currently have a clear conflict of interest as they choose their own watchdogs) and banning re-appointments (as that gives a watchdog an incentive to please MPs in order to secure a re-appointment).

For more details on these other key changes:

- 1. See Democracy Watch's <u>August 2020 submission</u> to the House of Commons Standing Committee on Access to Information, Privacy and Ethics ("Ethics Committee"):
- 2. See the Ethics Committee's June 2021 report;
- See Democracy Watch's <u>February 2022 submission</u> to the Commissioner of Lobbying concerning key changes needed to the federal *Lobbying Act* and *Lobbyists' Code of Conduct*.

If all of the above changes are not made to the *MP Code* and other federal laws and codes, misleading spin and blatantly false claims, unethical actions, wealthy interests having undue influence over politicians and parties, secret unethical lobbying, and excessive government secrecy overall, will continue to regularly undermine good public policy-making in federal politics, and effective spending of the public's money.