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—
Chair

Mr. Massimo Pacetti

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•(1110)

[English]

The Chair (Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.)): We can begin the meeting.

Mr. Charles Hubbard (Miramichi, Lib.): Mr. Chair, before we begin I have a question on our committee. This morning there arrived a notice, in the orders of the day for tomorrow, on the motion of Mr. Loubier. First, I'm rather concerned that we're calling meetings with very short notice; and second, I'm not sure which motion the notice is on.

Mr. Chair, who calls these meetings? Is it the clerk or the chair who calls these special meetings? We had one last Wednesday and apparently there is one again tomorrow. It's certainly not the way we normally operate as a committee. It must be for some special purpose. Who calls the meetings? That is my first question.

The Chair: I call the meetings in conjunction with the clerk.

Mr. Charles Hubbard: Then you called the meeting for tomorrow.

The Chair: Yes.

Mr. Charles Hubbard: I am not sure it's fair to committee members, Mr. Chair, to get notice of meetings on such short notice.

Second, I think the notice that comes out should better define what the meeting is about. Is it on the old motion of Mr. Loubier, or a new motion that we got notice of last week?

The Chair: There are no old motions to be debated. We've addressed all the motions that the committee has before it, so there was only one motion standing and it's the one that Mr. Loubier presented to us on Wednesday or Thursday of last week. The 48-hour notice has been provided.

Mr. Charles Hubbard: Really, the motion of Mr. Loubier to deal with Barbados is the one you're referring to?

The Chair: Yes, that's the one.

Mr. Charles Hubbard: Do you, as the chair, feel that's worthy of a special meeting and to call our committee?

The Chair: I didn't want to interrupt the subsequent meetings because we already had the Thursday meeting scheduled to address Bill C-259. We already had that scheduled.

Hon. Maria Minna (Beaches—East York, Lib.): I thought we were dealing with the health bill. What about the health bill?

The Chair: Today is equalization.

Mr. Charles Hubbard: Mr. Chair, I thought we had a steering committee that decided the direction of the committee. Maybe the

steering committee has met, but it certainly would be good to know a little bit in advance what we're doing.

The Chair: Mr. Penson.

Mr. Charlie Penson (Peace River, CPC): Frankly, I haven't gotten notice of this meeting. Maybe my office has by now, but can the clerk inform us what time this meeting is, when it is?

The Chair: Are you talking about tomorrow's meeting? For tomorrow's meeting the notice was sent out yesterday.

Mr. Charlie Penson: It's not tomorrow morning then.

The Chair: No, it's tomorrow afternoon.

A voice: It's at 3:30.

The Chair: Monsieur Loubier.

[Translation]

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ): Mr. Chairman, as agreed to last Thursday, the Subcommittee on Fiscal Imbalance met this morning at 10:30 a.m. and subcommittee members voted unanimously to adopt the two budgets tabled. The first runs to March 31, 2005, and the second, to April 18, 2004.

At this time, I'd like to table these two budgets to the members of the Standing Committee on Finance for their speedy approval this morning, because they must be submitted to the Liaison Committee. In light of your undertaking last week, I ask you to proceed without further delay to call the vote on these two budgets.

[English]

The Chair: I want to address the point of Mr. Hubbard.

Does anybody else have a point?

The notice was sent. I just prefer to get the motions out of the way. If the committee prefers to file motions, I want to address them.

Mr. Charles Hubbard: The main point I'm trying to make, Mr. Chair, is we normally meet on Tuesdays and Thursdays. We have a program that we're following, and if any member sends in a special notice of motion, does that mean the chair calls a special meeting to deal with that just to get it out of the way? I'm wondering what procedure you're following as chair.

•(1115)

The Chair: The procedure is not to interrupt the planned work of the committee. The motion came up and I wanted to address it so that it didn't interfere with the committee. That's basically my train of thought.

If motions are going to continuously come up and they're going to interfere with the work of the committee, I just want to address them.

Hon. Maria Minna: If I could, Mr. Chairman, I think the only concern here is not so much that we don't address the issue because it's there and it needs to be addressed. That's not the issue at all. It is more a matter of how we get notice. Some of us have more than one committee and have other responsibilities, so if you've booked yourself for Wednesday afternoon because you think you have it open, as this was not on our schedule, but then this comes in this morning, then you have to rearrange tomorrow afternoon. Could we not try to do as much business as we can on the allotted days?

The Chair: I agree, but I just figured we needed an hour. If we want to extend the meetings prior to or before....

Ms. Wasylycia-Leis.

Ms. Judy Wasylycia-Leis (Winnipeg North, NDP): I think the issue here, Mr. Chairperson, is what is the work of the committee? I would suggest to you that when a motion is submitted to the committee it's part of the normal work of a committee. It must be integrated into our work, just as, in the same way, we have to respond to bills or motions sent to us from the House.

I don't really have an objection to trying to fit in extra meetings, but I think there has to be a reason for those extra meetings. My feeling is that we could have integrated Mr. Loubier's motion into one of our regular meetings, and used that, with other issues and other ideas from committee members, to discuss the work of the committee over the next three or four months.

We have yet to establish our major pieces of work. We know that there are some things we have to deal with, but we can also be proactive in determining what special projects we take on. I think we could integrate these motions into our regular day-to-day work.

The Chair: Okay.

Mr. Loubier, and then I have Mr. Penson.

[*Translation*]

Mr. Yvan Loubier: Mr. Chairman, since I'm the one who moved this motion, I think I can explain what it's all about. My motion calls for scheduling a special committee meeting on tax treaties, more specifically on the treaty with Barbados. I don't think this motion needs to be debated at great length. We might even be able to dispose of it at the conclusion of today's meeting, to avoid having to hold a special meeting tomorrow. We simply need to decide whether or not we'd like to call in witnesses to a special meeting to discuss the treaty with Barbados. I'm prepared to be quite flexible. We could even schedule a meeting for next week and I wouldn't have a problem with that. There's no need for us to engage in an endless debate on the relevance of having witnesses explain this complex tax treaty to us. We could dispose of this matter quickly at a special meeting tomorrow.

[*English*]

The Chair: Mr. Penson.

Mr. Charlie Penson: Mr. Chairman, I would hope we wouldn't spend too much time on this. One solution, I guess, would be to deal with these things in the planning committee part of it.

It's pretty clear that we have an obligation to respect the motions that come before us and to deal with them. To the extent that we can schedule them in a manner that suits all members, that's fine, but if we need extra meetings.... I think it's part of our responsibilities, and we have to treat it as such.

The Chair: Anything else on that?

I just feel that the committee has a schedule, and we have lots of legislation coming forward. I don't know if everybody's received the draft, but I'll make sure everybody gets it. The committee is going to be very busy. That's why I just wanted to address the motion. Now, if there's going to be lots of motions, then we'll have to re-evaluate the strategy.

So we'll keep the meeting for tomorrow. And in answer to Mr. Loubier, we're going to go until 12:45. Then we'll address the subcommittee's report.

Mr. Charlie Penson: On a point of order, Mr. Chair, I think we should deal now with Mr. Loubier's issue in regard to the fiscal imbalance committee. It's timely. The liaison committee is going to be meeting today on it.

I'd like to hear Mr. Loubier's motion and continue.

● (1120)

[*Translation*]

Mr. Yvan Loubier: It's important for us to know what we're up against in a few minutes, as far as adopting this budget is concerned, because the outcome could affect our respective parties in different ways. I strongly suggest that we vote on the budget now, and then we'll know where we stand. I don't want to wait until we've concluded our work. Besides, that's what you agreed to last week.

The Chair: I know, but we're about to discuss financial considerations. Therefore, we have to sit in camera. I'd have to ask the witnesses to leave.

Mr. Yvan Loubier: I think we have to do that, Mr. Chairman. It wouldn't be the first time.

[*English*]

The Chair: We've got to go in camera.

[*Proceedings continue in camera*]

● (1121)

(Pause)

● (1212)

[*Public proceedings resume*]

The Chair: I apologize for the delay in beginning.

This relates to the introduction of Bill C-24, An Act to amend the Federal-Provincial Fiscal Arrangements Act and to make consequential amendments to other Acts (fiscal equalization payments to the provinces and funding to the territories).

I want to thank you, Mr. McKay, and the department officials for appearing before us. The floor is yours.

Hon. John McKay (Parliamentary Secretary to the Minister of Finance): Thank you, Chair.

I have an array of department officials with me, who I won't introduce in the interest of time. I have some prepared remarks, which presumably you all have. Again, in the interest of time, I will be very brief in my own comments in order to be able to give members an opportunity to ask questions of both me and the officials.

As members know, a significant amount of funding is being transferred. A pretty significant amount of money is transferred from the federal government to the provincial governments on an annual basis. Two of the key transfer programs are equalization and the territorial formula financing.

The federal equalization payments ensure that the provincial governments are able to provide their residents with comparable public services at comparable levels of taxation. We of course recognize the unique challenges of governing up in the north. That's why you have a separate territorial formula financing. The two are being considered together, both equalization and TFF.

The aim here is to reduce fiscal disparities among the provinces and the territories. The government believes that a fair and effective way of doing that is through these programs, so Canadians will have access to high-quality health and social services, regardless of where they live in the country.

Regional economic disparities pose a challenge for any federation, so there are uneven distributions among various components of the federation, such as natural gas, oil, and other resources. Some are more fortunate than others.

In any event, these economically gifted regions can sometimes more easily raise revenue through their tax bases and deliver their own services for health and social services, while at the same time funding strategic initiatives that further reinforce their capacity to create wealth. If you will, Mr. Chair, wealth begets wealth.

Conversely, those regions without these benefits would be unable to finance these high-level public services and crucial economic investments without having to resort to economically punishing levels of taxation. This would create horizontal fiscal disparities.

We as Canadians think that's simply unacceptable. These two programs attempt to redress the economic and social injustices that would be created by those uneven distributions of assets and wealth.

There's an attempt here to ensure that essential funding will increase over the years. As you recall, this is directly as a result of the negotiations between the premiers and the Prime Minister, which resulted in a 10-year, \$41 billion plan to strengthen health care, and a new equalization, which is this bill. The \$41 billion in health care is coming through the House as we speak. The new equalization and territorial financing in this bill is \$33 billion over the next decade.

The new framework immediately prevents declines in payments to provinces. Over the past number of years, with rising wealth in the country, some of the disparities were becoming somewhat evened out. The result was kind of perverse—the equalization payments were actually flattening out and declining, so the first point of this bill is that it puts a \$10 billion floor on that equalization program.

It also brings stability by guaranteeing to the provinces and territories that they will not receive any less than the amounts in the 2004 budget.

One of the things the minister heard repeatedly from his provincial and territorial counterparts was that they had difficulties making their own budgets because of the instability of the equalization program. They didn't know, year to year, just exactly how much money they would receive from that program. This puts it on a predictable upward track. In 2005-2006 the amount will be set at \$10.9 billion, with \$2 billion for the TFF, and it will grow at 3.5% thereafter.

• (1215)

The addition of stable, predictable, and growing funding in the new framework opens up the door for a full review of how funding allocation decisions are made. A panel of experts will consult widely with Canadians and with provincial and territorial governments, examining their current approaches to see whether the 33 elements that go into considering fiscal arrangements are appropriate and appropriately weighted.

I want to elaborate on my comments at the outset about the level of federal funding transferred to the provinces. As members will recall, the Prime Minister and all the premiers recently signed a ten-year plan to strengthen health care. This plan will provide \$41.3 billion in new health care money. They then signed this new \$33 billion framework for equalization and territorial funding, and that will cumulatively be \$74 billion over the next ten years. I put it to you, Chair, that the importance of equalization and territorial financing cannot be overstated for the stability of our federation.

I hope I've been brief, Mr. Chair, and I hope that I and the officials gathered here will be able to respond to your questions.

Thank you.

The Chair: Thank you.

I'll go to members for questions.

Everybody's happy? All right, if everybody is happy...

• (1220)

Ms. Rona Ambrose (Edmonton—Spruce Grove, CPC): Sorry, Mr. Chair, I do have a question.

The Chair: Go ahead.

Hon. John McKay: Is the question before division or after division?

The Chair: It's before division.

Hon. John McKay: Okay.

Ms. Rona Ambrose: Obviously the Conservative Party supports Bill C-24, as we see equalization as an essential component of Canada's nation-building efforts. It does address some of the concerns that are shared by the provinces, territories, and the Conservative Party, notably the provisions for additional funding for equalization, the TFF funding, and setting out a structure that sets the total funding levels going forward.

The one thing it doesn't deal with, and you made some reference to it, is natural resource revenues. It has become an issue for provinces, and it has been an issue for our party that we've talked about for a number of years. As you've suggested, Mr. McKay, it results in a fiscal imbalance between the provinces. I would argue that in the case of natural resources and in the case of the present equalization formula, this horizontal fiscal imbalance is exacerbated by the present formula.

I know that this has been given to the panel of experts, but could the finance officials comment on what kinds of discussions will be taking place, and if this particular question about non-renewable resource revenues will be dealt with in the panel of experts?

Hon. John McKay: I think it's fair to say that will be one of the foremost questions. The federal part of the panel actually has been struck at this point, and we are waiting for the provincial complement.

Ms. Rona Ambrose: Can you explain the makeup of the panel? How many members come from each province? How many federal members are there? Are they appointed—by the province, by the federal government?

Mr. François Delorme (Director, Federal-Provincial Relations and Social Policy Branch, Department of Finance): Right now the panel is composed of four members and, as Mr. McKay alluded to, the federal nominees have been appointed. There was, of course, different consideration with respect to what kind of membership we wanted as federal nominees. Did we want academics? Did we want people who were not necessarily specialists in equalization, but would have an open mind as to how questions would be addressed? Of course, the provincial distribution was taken into account as one of the criteria on how the panel was constructed.

Ms. Rona Ambrose: Will the provinces have an opportunity to nominate someone to the panel?

Mr. François Delorme: They have two members, and we're still waiting for their members.

Ms. Rona Ambrose: What will be the territories' participation on the panel? Is there participation by the territories as well?

Mr. François Delorme: Yes, there will be a separate panel composed of three members, but the chair is going to be the same chair. The chair is going to chair the equalization panel and the TFF panel. There will be two other members. One of the members of the territories' panel is going to come from the territories.

Ms. Rona Ambrose: In the territories panel, do you know if there's going to be discussion about resource revenue sharing agreements with the territories under the TFF?

Mr. François Delorme: Yes.

Ms. Rona Ambrose: Okay, thank you.

The Chair: Thank you.

Mr. McKay.

Hon. John McKay: You're going to pass on division, aren't you?

The Chair: No, because I think we have some amendments.

Hon. John McKay: If we do, I don't have them.

Mrs. Clare Scullion (Senior General Counsel, Law Branch, Department of Finance): I have them. You are supposed to have them.

Hon. John McKay: Thanks, Clare.

Do all members have the amendments? Can I group them? A motion to accept the amendments as presented....

The Chair: I have a question, Mr. McKay, from Mr. Bell.

Mr. Bell.

Mr. Don Bell (North Vancouver, Lib.): Can you explain the amendments?

Hon. John McKay: Since I just saw them about two seconds ago, I'd better defer to the officials on both of these.

Clare, do you want to speak to that?

• (1225)

Mrs. Clare Scullion (Senior General Counsel, Law Branch, Department of Finance): Two of the amendments are just typographical errors. For the amendment on page 2, instead of referring to subsection 4.(1) of the act as it read on May 13, 2004, it will be section 4, so that we get the definitions, the generic solution that was part of that section in the act as it read on that day.

The other amendment—I'll skip the second one because that's a little more complicated—is on pages 12 and 13. Instead of referring to “paragraph (1.1)(a)”, it will just refer to “subsection (1.1)”. I didn't follow my client's instructions, and misread them. It should have been subsection (1.1) instead of paragraph (1.1)(a). That's that clause.

The other amendment is on page 6, subsection 4.8(2). That deals with territorial funding. Currently territorial funding is authorized by an appropriation act, vote 15 in the appropriation acts. There was an appropriation act that was enacted in February or March 2004 that provided part of the funding. There were two other appropriation acts passed in December, but those appropriation acts were passed after this bill was tabled. We didn't have the bill number. We didn't have all of the details.

The purpose of this amendment is to take into account any funding that is provided to the territories under vote 15 of those appropriation acts, and that will be counted toward the payments for this fiscal year that are to be made under this bill whenever it becomes law.

The Chair: Can we go to clause-by-clause, please?

Hon. Maria Minna: You said that you were going to put them together.

The Chair: Yes.

Hon. John McKay: I moved the amendments. The explanation was given.

You need to pass the amendments first, and then the entire clause.

The Chair: Who are the movers?

Ms. Wasylycia-Leis.

Ms. Judy Wasylycia-Leis: I would like a clarification on process. If we move those amendments, we then proceed to clause-by-clause. Will we have an opportunity to raise our own amendments?

The Chair: Yes.

Ms. Judy Wasylycia-Leis: I've submitted a couple. I was going to ask some questions about them in advance.

The Chair: We don't seem to have those amendments.

Ms. Judy Wasylycia-Leis: I have a couple of extra copies.

The Chair: When were they...?

Hon. John McKay: Aren't there some timelines whereby you were supposed to file your amendments within 24 hours, I believe?

Ms. Judy Wasylycia-Leis: We didn't receive a notice for amendments.

The Chair: Plus, they're only in English.

Ms. Judy Wasylycia-Leis: I have the French.

Mr. Charles Hubbard: Mr. Chair, with this....

Ms. Judy Wasylycia-Leis: Perhaps we need to clarify the procedure around a bill. My understanding was that we were hearing the department's presentation on this and that we might get to clause-by-clause. I didn't receive an indication that we had a deadline for amendments. I've just brought them with me, assuming that there was no set deadline at this point.

The Chair: Mr. Hubbard.

Mr. Charles Hubbard: I would like to comment on exactly on what Judy is saying. I know Brian was provoked at what I said a few minutes ago, but a committee has procedures. I would think that several days ago our clerk would have sent out that a meeting was to be held to deal with...and if there are amendments, they are to be submitted so far in advance. That's the normal procedure. Even these from the government should have come to our offices a few days ago, so that we would know what was being presented. But simply for us to deal with legislation raised by somebody who's saying they have something that should change a major piece of legislation, it's just not acceptable for us to work that way as the committee.

• (1230)

The Chair: You're absolutely right. On the agenda or *notes du jour* there is no indication that we were going to do clause-by-clause. I asked the committee members if they would agree to go to clause-by-clause, but we're under no obligation. If the committee agrees to the amendments...if not, then we'll have to send notice.

I asked committee members if we could go to clause-by-clause. We are now at clause-by-clause. I know the government had some amendments to make and we've received those, which is done.

Hon. John McKay: Now you're going to submit new amendments and we've never seen them, so we have no idea how to react to them.

The Chair: Right, so we're going to take Ms. Wasylycia-Leis' amendments, just as we did with the government's, unless someone is opposed to it. We can address this one.

Mr. Charles Hubbard: Mr. Chair, I would oppose that, if it only takes one, because it's not the proper procedure for us to deal with legislation. If we start this process of trying to bring amendments when we're finalizing legislation, it just doesn't work. It doesn't make for good law.

The Chair: I'm not setting a precedent here. If I have consent of the committee... I am not going to do it without the consent of the committee.

Mr. Charles Hubbard: I'm objecting as a committee member.

The Chair: Okay, thank you.

Monsieur Loubier.

[*Translation*]

Mr. Yvan Loubier: As Mr. McKay was saying earlier, we should do a clause-by-clause study of this bill, given its importance. The provinces are awaiting these funds, as in the case of the health agreement.

I had understood that we would be doing a clause-by-clause study and that we would have all of the amendments in hand. I'm prepared to go ahead with the clause-by-clause phase and to vote on Bill C-24.

The Chair: Without unanimous consent, we cannot proceed with the clause-by-clause study. I don't want to set a precedent.

Mr. Guy Côté (Portneuf—Jacques-Cartier, BQ): Mr. Chairman, in the spirit of fairness, I'd ask all committee members to take a few minutes to review the NDP member's amendment, just as they did for the amendments presented by the Finance Department and by the Parliamentary Secretary.

The Chair: Fine. I may be repeating myself.

[*English*]

We can if the committee is willing to, but I need consent of the committee. We have enough copies of Ms. Wasylycia-Leis' amendments, from what I understand. I have to take hers, just as I took the government's. But I need consent of the committee. I do not have consent of the committee.

Do we have copies if we want to do it?

Okay, I'm going to try once again. Do I have consent?

Mr. Charles Hubbard: No.

The Chair: Okay. That's it, so we defer.

[*Translation*]

Mr. Yvan Loubier: Excuse me, Mr. Chairman. What exactly were you asking?

The Chair: I was asking if there was unanimous consent to allow the amendments.

Mr. Yvan Loubier: Who refused to give consent? Mr. Hubbard? In that case, he's delaying the adoption of the bill.

[*English*]

The Chair: You'll get notice in your offices that we're going to do clause-by-clause tomorrow afternoon.

The meeting is adjourned.

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