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Wednesday, February 9, 1994

Speaker: The Honourable Gilbert Parent

HOUSE OF COMMONS

Wednesday, February 9, 1994

The House met at 2 p.m.

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Prayers
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STATEMENTS BY MEMBERS

[*English*]

DEBT RECOVERY BONDS

Mrs. Dianne Brushett (Cumberland—Colchester): Mr. Speaker, during World War II the Government of Canada issued victory bonds as a means to pay for our war effort. Patriotic Canadians bought the bonds and thereby saved their children and grandchildren a legacy of heavy debt.

Today a new generation of patriotic Canadians is offering its financial support to pay down this country's debt.

This government could issue a debt recovery bond and sell it domestically to Canadians. We could set an attractive rate of interest and use the entire subscription proceeds to pay down the debt. Our first priority would be the discharge of our foreign debt obligations.

We owe it to our children to give them a debt free Canada. A debt recovery bond will appeal to both the patriotism and financial self-interest of Canadians. It will have the added benefit of providing taxes on the bond's interest for our federal treasury.

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[*Translation*]

ÉCO-ÉQUIPEMENT INC.

Mr. Benoît Sauvageau (Terrebonne): Mr. Speaker, Éco-Équipement Inc. is a company that was recently established in my riding. It is preparing to do research in wastewater treatment.

This study, which is conducted in co-operation with Agropur, the École polytechnique of Montreal as well as two government agencies, the Department of Environment of Quebec and the Centre québécois de valorisation de la biomasse, is aimed at developing wastewater treatment in the agri-food industry.

This biological dephosphorization project at the cost of \$860,000 over two years will allow, among other things, to reduce discharges of phosphorus, thereby complying with the new environmental protection standards.

I commend the instigators of this major initiative, who are showing a strong desire to develop a more performing technology while remaining aware of environmental laws and responsible towards them.

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[*English*]

THE GOODMAN FAMILY

Mr. Jim Hart (Okanagan—Similkameen—Merritt): Mr. Speaker, I rise to pay tribute to a prominent family in the Okanagan—Similkameen—Merritt riding. With today's rapid development and technological advances we rarely stop to think about those people who shaped our communities in their formative years.

Each year the South Okanagan Historical Society awards the pioneer award to a family that has made a great contribution to the development of the Okanagan. This year the Goodman family of Osoyoos, B.C., was recognized for service to the community that dates back to the early years of this century.

Decades ago Les and Dais Goodman were involved in farming, road building, education, development of parkland and other activities of leadership and involvement. Still today their children and grandchildren carry on this family tradition of dedication to the community.

I ask the House to join me in congratulating the Goodman family for its invaluable contribution to the development of the south Okanagan and this great nation.

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SEXUAL ABUSE

Mrs. Brenda Chamberlain (Guelph—Wellington): Mr. Speaker, I recently received a letter describing a Guelph constituent's ordeal of sexual abuse. Surviving sexual abuse is a day to day struggle often faced with pain, guilt and grief. Fortunately many have the support of family and friends. All survivors need our support.

Survivors of sexual abuse who decide to pursue their ordeal through the courts should be treated with compassion and respect.

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All Canadians pay a great price when we deal with the effects of sexual abuse. For example, many young offenders are victims. Unfortunately too often it is a cycle that continues from generation to generation. Our justice system must recognize and respond to the needs of both the victim and the offender.

I urge the Minister of Justice to recognize that our decisions must reflect a system that is just and fair.

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1994 WINTER OLYMPIC GAMES

Mr. Stan Dromisky (Thunder Bay—Atikokan): Mr. Speaker, on behalf of my constituents in Thunder Bay—Atikokan and all the young Canadians who aspire to achieve levels of superior performance in their respective athletic endeavours, I wish to congratulate Thunder Bay's John Lockyer on becoming Canada's champion ski jumper, an outstanding athlete who has earned international respect and acclaim.

(1405)

However as the only member of Canada's national ski jumping A-team John will not be competing in the winter Olympics in Lillehammer, the first time in winter Olympic history that Canadian ski jumpers will not be participating.

The Canadian Olympic Association must be encouraged to re-examine its new regulations which without doubt will prevent many of our champions from entering future games and which also give the appearance that the true purpose and spirit of the Olympic Games are lost.

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GREG JODERY

Mr. John Murphy (Annapolis Valley—Hants): Mr. Speaker, in the peaceful Annapolis Valley of Nova Scotia, Greg Jodery was brutally beaten to death. His killer was convicted of manslaughter and sentenced to a mere four years.

Supposedly the court found that actions of Jodery's killer were mitigated by the victim's own violent behaviour. These charges were unsubstantiated and it was too late for Greg Jodery to speak for himself.

A community is hurt and outraged. This crime still cries out for justice. As representatives of the people we cannot be silent. Justice must be done for Greg Jodery. If not, our system will not deserve Canada's respect.

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[Translation]

CELANESE CANADA INC.

Mrs. Pauline Picard (Drummond): Mr. Speaker, on January 7 of this year, Celanese Canada Inc., a textile company which

has its plant in Drummondville, in my riding, announced a \$2.5 million investment to reduce by 25 per cent its emissions of acetone into the atmosphere.

It should be noted that Celanese Canada Inc. was already complying with all government standards for environmental protection and that this initiative resulted solely from its health, security and environmental protection policies.

Celanese Canada Inc. is an example to be cited when talking about sustainable development and companies which are responsible within their community. I take this opportunity to congratulate the company.

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[English]

1995 CANADA WINTER GAMES

Mr. Charlie Penson (Peace River): Mr. Speaker, from February 19 to March 4, 1995 the city of Grand Prairie will host the Canada Winter Games. I am proud to say that Grand Prairie is in my riding and is the most northerly city ever to host the Canada Winter Games.

This important event will bring together more than 3,200 athletes, coaches and officials who will participate in 21 different sports.

The games are held every second year, alternating between winter and summer. They are a training ground for future Olympians. The games are also a celebration of culture and for this reason Grand Prairie will be proud to display the many facets of our Canadian and northern heritage.

The theme of the games is Iskoteo, which is a Cree word for fire. The fire is in our sky with the northern lights. It is also in the spirit of the people who rise to challenge the climate and the power of the land.

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SOLDIERS MISSING IN ACTION

Mr. Joseph Volpe (Eglinton—Lawrence): Mr. Speaker, the peace process in the Middle East is promising for all those advocating peace and normalcy. Families with soldiers missing in action on both sides dare to hope.

Mrs. Miriam Baumel, one such parent charged with renewed vigour when Messrs. Arafat and Rabin shook hands last fall, has been pressing the issue of soldiers missing in action with foreign governments and international organizations. Today she met with Canadian parliamentarians.

Her son and other Israeli soldiers have been missing in action in Lebanon since 1982. British parliamentarians have committed to raising the matter with Syrian and Iranian officials. A U.S. congressional delegation has gone on a fact finding mission in the area. Mrs. Baumel has just come from a meeting with members of Congress in the United States.

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I note the Geneva convention makes the country where MIAs were last seen in action responsible for their whereabouts. That country, Syria, is a signatory to that convention.

I urge the Minister of Foreign Affairs to address the issue vigorously with Syrian authorities and with Mr. Arafat himself so as to make the return of MIAs part of the peace package.

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(1410)

WINTER OLYMPICS

Mr. Paul Steckle (Huron—Bruce): Mr. Speaker, I rise in the House today to wish all of the country's athletes, especially two young and talented Canadians in the figure skating pairs discipline, the best of luck in the 17th Winter Olympics in Lillehammer, Norway.

Lloyd Eisler and Isabelle Brasseur are the reigning world pairs champions and are looking to become the first gold medal winners in pairs figure skating since Barbara Wagner and Bob Paul in 1960.

Here we have an example of two Canadians, Lloyd Eisler born in my riding in the town of Seaforth, Ontario, and Isabelle Brasseur, born in Kingsbury, Quebec, in the riding of Richmond—Wolfe, working together to become the best they can be.

As much as Eisler needs Brasseur, Canada needs Quebec. Instead of trying to divide the country, let us work together to make a strong and united Canada.

I invite the member for Richmond—Wolfe to come to my riding after the Olympics to meet the people and take part in what hopefully will be a gold medal celebration.

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TAXATION

Mr. Gurbax Singh Malhi (Bramalea—Gore—Malton): Mr. Speaker, thank you for giving me the opportunity to suggest to the Minister of Finance to try to keep tax increases to the absolute minimum.

Canadians are losing faith in their taxation system and are protesting by refusing to pay. The underground economy and refusal to pay GST and income tax are indications that Canadians are being taxed to death.

The last federal administration steamrolled public confidence and left the economy flat.

The Minister of Finance has shown he is very sensitive to the wishes of the Canadian taxpayer. I urge the minister to keep

taxation to a minimum to help small business and Canadians as a whole.

[Translation]

THE SENATE

Mr. Gaston Leroux (Richmond—Wolfe): Mr. Speaker, in addition to all the horrors mentioned in the last report of the Auditor General, we learned last week that the operation of the other House cost Quebecers and Canadian taxpayers more than \$43 million last year. Moreover there were only 47 days of proceedings during the session and, of that total, 29 days over a four-month period, from February to May 1993.

This means one million dollars per day of work or \$150,000 per federal riding and these already have representatives in the House of Commons.

If we were to ask the constituents of Richmond—Wolfe if such spending of public funds is appropriate, I can say right away what their answer would be. They tell us, their representatives, that those funds should be invested in the economic recovery and in job creation.

It is the duty of all members of this House, and especially those of the Official Opposition, to examine all votes and appropriations of the other House in order to put an end to this shameful waste.

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[English]

CHILD ABUSE

Mr. Allan Kerpan (Moose Jaw—Lake Centre): Mr. Speaker, last week, after the longest criminal trial in Saskatchewan history, two defendants were acquitted of 32 charges related to sexual abuse involving 15 children in the town of Martensville. Another defendant was found guilty on eight charges.

There is a lot of anger right now, but stronger than that anger is the determination our neighbours hold on to, a resolve to do whatever we can to prevent these violent injustices from occurring.

The ugly reality of child abuse in our society demands a response from us as leaders. We must discover and expose the roots of this moral flaw.

Victims' rights must receive a much higher priority in our justice system. Nothing can ever compensate for the pain inflicted on all those concerned, but we can and should always strive to protect our innocent from destructive elements in society. We must challenge the ugly face of such anti-social behaviour.

*Oral Questions**[Translation]***ANTI-SMUGGLING PROGRAM**

Mr. Bernard Patry (Pierrefonds—Dollard): Mr. Speaker, reading the various reactions from across the country to the anti-smuggling program announced yesterday by the federal government, one might tend to believe that it is a regional problem affecting only Quebec.

I would like to point out that these measures, which we very reluctantly accepted in view of their health implications, had become unavoidable and necessary. I do believe that the other Canadian provinces should learn from Quebec's unfortunate experience, stem the emergence of civil disobedience and prevent the accompanying criminal activities.

With a contraband rate of 33 per cent, some provinces can ill afford to ignore this plague which is no longer a regional problem.

* * *

(1415)

NATIONAL INFRASTRUCTURE PROGRAM

Mr. Patrick Gagnon (Bonaventure—Îles-de-la-Madeleine): Mr. Speaker, I would like to stress an important measure undertaken to ensure economic recovery in Quebec. Last Monday, the Minister responsible for the Federal Office of Regional Development and the President of the Privy Council, along with their Quebec counterparts, signed a federal-provincial agreement on the National Infrastructure Program.

Pursuant to this agreement, our government will be able to renovate local infrastructures. This is a positive step towards jobs creation and economic recovery. Needless to say, it will help to promote economic development in Quebec and throughout Canada.

The projects to be undertaken under this agreement, worth almost \$1.6 billion in Quebec only, will give new confidence to our business people, our workers and all Canadians.

Ever since it was elected, the Chrétien government has worked relentlessly to create the right economic climate in our country.

The agreement signed this week with the Quebec government is evidence of our commitment to a sustainable economic recovery. As you can see, Mr. Speaker, federalism does work.

*[English]***SOFTWOOD LUMBER**

Mr. Nelson Riis (Kamloops): Mr. Speaker, it has been well known for years that American lumber producers want access to our raw logs so those logs can be processed in the United States. They plan to harass and hassle our softwood lumber exporters until we cave in to their demands.

We were told that the FTA would end this continual harassment. It did not. We were then told that NAFTA would end this harassment. It did not. We were told that special Canada-U.S. trade panels would rule on these disputes in an effort to settle any differences. The panel ruled but ruled in favour of Canada.

Now Mickey Kantor, the U.S. trade representative, says the U.S. will launch an extraordinary challenge to this ruling because the Americans think the panel decision was wrong. They plan to attack the credibility of the panellists.

The previous government caved in to virtually every American initiative. I wonder if the new government will now act differently.

Will the Minister for International Trade tell the Americans to back off? The panel ruled, the U.S. lost. Surely the Minister for International Trade will not stand by as Americans push us around in one more step toward eventually getting full access to Canadian raw logs.

ORAL QUESTION PERIOD*[Translation]***BOSNIA**

Hon. Lucien Bouchard (Leader of the Opposition): Mr. Speaker, my question is directed to the Prime Minister. Five days after the massacre at Sarajevo's central market, the 16 members of the NATO council are meeting today in Brussels to examine an American proposal that would force the siege of Sarajevo to be lifted within ten days. Just now there was a news release announcing: "Today NATO member countries agreed to send an ultimatum to the Bosnian Serbs, threatening them with airstrikes if they fail to withdraw their heavy artillery from the region around Sarajevo within the next 10 days".

I want to ask the Prime Minister whether this information is correct. And also, since these decisions must be made unanimously, whether Canada supported sending an ultimatum to the Serbs.

Right Hon. Jean Chrétien (Prime Minister): Mr. Speaker, we agreed with the proposal to create a 20 kilometre zone around

Oral Questions

Sarajevo, within which any arms controlled by the Bosnian Serbs and the Bosnian Muslims would be under the control of the United Nations. We agreed with this ultimatum.

According to the last reports I saw, Mr. Rose, the military officer in charge of the forces in Sarajevo, said that an agreement had been reached a few minutes ago with the Serbs, who agreed to place their arms in the Sarajevo area under the control of the United Nations. I understand that the Muslims will do likewise, which means that if the ultimatum is accepted, there will be no need for airstrikes in the region.

Hon. Lucien Bouchard (Leader of the Opposition): Mr. Speaker, I see that it is not quite clear what steps were taken by the Serbs following this ultimatum.

May we ask the Prime Minister what the terms of the ultimatum are? Exactly what will happen to the Serbs should the ultimatum be rejected?

Right Hon. Jean Chrétien (Prime Minister): Mr. Speaker, in resolutions that were passed in August and renewed on January 11, we said—and we supported this condition—that if the siege of Sarajevo were to continue, airstrikes could be used to help liberate the city.

(1420)

After the terrible carnage on the weekend, the 16 NATO allies decided to send an ultimatum and create a 20 kilometre demilitarized zone around Sarajevo. Apparently both the Muslims and the local Serbs are prepared to accept this condition, which means that airstrikes would be unnecessary, if what I saw in the report is true.

Hon. Lucien Bouchard (Leader of the Opposition): Mr. Speaker, this means there has been a major change in Canada's position regarding airstrikes, because I understand that until now, Canada had accepted the principle of airstrikes at close range only for self-defence, to guarantee the safety of its peacekeepers. I understand that in this case, the government has decided to support the principle of an airstrike against a belligerent force in order to lift the siege of Sarajevo.

In that case, I would like to ask the Prime Minister what guarantees he obtained to ensure that Canadian peacekeepers would not be adversely affected as a result of the ultimatum.

[*English*]

Right Hon. Jean Chrétien (Prime Minister): Mr. Speaker, when we were in Brussels a month ago we were very concerned about the Canadian troops that were on the other side of the line in Srebrenica. The situation has evolved naturally there. The Bosnian Serbs have accepted the Canadians being replaced by the Dutch before the end of this month.

The situation there is progressing normally. According to the news I heard a few minutes ago, the Serbs have agreed to accept the ultimatum in relation to Sarajevo so there will be no need for a strike. We have accepted to protect the civilians in Sarajevo and, in order to avoid a repetition of the massacre of last weekend, we gave that ultimatum to the military forces in the area.

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[*Translation*]

DEFICIT

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot): Mr. Speaker, an official spokesman for the finance department was quoted in today's newspapers as saying that it would be difficult for his department to bring the Canadian government's annual deficit down below \$40 billion. We now understand why they inflated the budget deficit forecast before the holidays.

My question is for the Prime Minister. Does this surprising statement mean that the government has admitted its impotence and does not intend to tackle spending or tax evasion by corporations and wealthy taxpayers?

Right Hon. Jean Chrétien (Prime Minister): Mr. Speaker, I think the hon. member should be a little more patient. He will get his answer in a few weeks when the finance minister tables his budget.

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot): Mr. Speaker, I got an unsatisfactory answer, as I often do during question period.

Instead of letting his finance minister make irresponsible statements on Canadian and American interest rates that led to his being called the stand-up comic of Canadian politics by the *Globe and Mail*, would the Prime Minister tell us what his government's intentions are? Would he tell us if his government will deal with extravagant spending and the scandal of family trusts and other loopholes?

[*English*]

Hon. Douglas Peters (Secretary of State (International Financial Institutions)): Mr. Speaker, I am very pleased to report that the Minister of Finance is not a standup comic and neither am I.

We are very serious about the deficit question and are very serious about the pledge in the red book to get the deficit down to 3 per cent of GDP in the third year of our mandate.

What was stated in the press was that a number of forecasters had said that it would be difficult to bring the deficit down below \$40 billion this next fiscal year, 1994-95. That indeed will be difficult without changes, but as the Prime Minister said we have a budget coming up.

*Oral Questions***CIGARETTE SMUGGLING**

Mr. Preston Manning (Calgary Southwest): Mr. Speaker, my question is for the Prime Minister.

Yesterday the Prime Minister acknowledged that the cigarette smuggling problem is most serious in Ontario and Quebec. The commissioner of the RCMP confirmed that over 70 per cent of smuggled Canadian cigarettes pass through the three Mohawk reserves between Cornwall and Montreal.

(1425)

Is the government prepared to acknowledge today to the House that the successful implementation of its action plan on smuggling will require not only a national effort, but a special and concentrated effort to re-establish the supremacy of Canadian law on those three Indian reserves?

Right Hon. Jean Chrétien (Prime Minister): Mr. Speaker, this is exactly what I have said for two weeks and I will repeat it. The law of Canada will apply in every part of the land.

Mr. Preston Manning (Calgary Southwest): Mr. Speaker, I have a supplementary question.

Most of us believe that only a small number of Mohawks are actively engaged in the smuggling operations on these reserves and that the majority of the residents resent and oppose the presence of these operations.

Has the government attempted to communicate and consult with rank and file members on those reserves to enlist their support for reasserting the supremacy of Canadian laws against smuggling, against money laundering and the illegal importation and storage of arms?

Hon. Herb Gray (Leader of the Government in the House of Commons and Solicitor General of Canada): Mr. Speaker, I had a telephone conversation on Sunday with the chief of one of the reserves. Shortly after Question Period I am meeting with the chiefs of all three reserves. I will be seeking their co-operation to work with the RCMP to eliminate smuggling on the reserves, around the reserves and everywhere in Canada.

Mr. Preston Manning (Calgary Southwest): Mr. Speaker, I have a further supplementary question. I appreciate meetings with chiefs, but there is a difference between meeting with chiefs and rank and file members.

I am wondering whether the Prime Minister agrees that the re-establishment of democracy on these reserves is a prerequisite to re-establishing the supremacy of law. Has the government considered instituting a formal democratic process on these reserves whereby rank and file Indian people would have an opportunity to indicate by secret ballot which measures they

believe would be successful in re-establishing the supremacy of Canadian law?

Hon. Herb Gray (Leader of the Government in the House of Commons and Solicitor General of Canada): Mr. Speaker, it is my understanding that the chiefs in question are democratically elected by the residents of the reserves. The people on the reserves will likely think the Reform Party leader's suggestion is a strange form of democracy if he wants the government to march in and impose his version of democracy on them.

The Speaker: Colleagues, I wonder if we might concentrate perhaps in this Question Period on shortening up our preambles. It would facilitate matters a great deal.

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[Translation]

FIGHT AGAINST SMUGGLING

Mr. Michel Gauthier (Roberval): Mr. Speaker, I am quite willing to cut my preamble short, but I would like the Prime Minister to listen as this question is directed to him.

Some hon. members: Oh, oh.

The Speaker: Order, please. The hon. member for Roberval has the floor.

Mr. Gauthier (Roberval): Mr. Speaker, one of the components of the government's action plan to combat smuggling calls for stepped up RCMP enforcement. Scarcely a few hours after the action plan was unveiled, we learn that shots were fired in Valleyfield as an RCMP patrol moved in on what appeared to be a shipment of contraband cigarettes.

Given the danger associated with police enforcement in this area, can the Prime Minister tell us if special measures will be taken to protect the lives of police officers who will be confronting heavily armed groups?

(1430)

Hon. Herb Gray (Leader of the Government in the House of Commons and Solicitor General of Canada): Mr. Speaker, the hon. member seems to have changed his tune.

For weeks, he has been calling on the RCMP to intervene and now that it is doing so, he wants the force to withdraw. That is not how the RCMP operates.

Mr. Michel Gauthier (Roberval): Mr. Speaker, I have another question for the Prime Minister.

Can the Prime Minister tell us, in other words, why he is refusing to meet in person with the chiefs of native reserves, considering the high risk situation and the need for him to obtain assurances that the lives of police officers who may have to confront heavily armed smugglers will in fact be protected?

Oral Questions

Right Hon. Jean Chrétien (Prime Minister): Mr. Speaker, I wish to point out to the House that the RCMP met last Friday with the three chiefs in question. They held rather lengthy and substantive talks, the outcome of which was reported that very same evening on television. The Minister of Indian Affairs is still in contact with them and today, they will have a meeting with the Solicitor General who is responsible for the RCMP. Therefore, I do not think that my presence would help matters any further.

I believe that our ministers are capable of carrying out their duties and that the Prime Minister must intervene only when he has no other choice. Right now I think that the Minister of Indian and Northern Affairs and the Solicitor General are doing an excellent job.

* * *

[English]

CIGARETTE TAXES

Mr. Ed Harper (Simcoe Centre): Mr. Speaker, my question is for the Prime Minister and was inspired by Mr. Ian Craig from the riding of Scarborough—Rouge River.

As the lone opposition member from the province of Ontario, I am very concerned that the Prime Minister has negotiated a cigarette deal with the premier of Quebec at the expense of Ontario.

Yesterday the premier of Ontario, Bob Rae, stated: "All this does is put pressure on the rest of us to literally fall into line with a policy that... was declared unilaterally by the federal government and one province".

On behalf of the people of Ontario and the premier, how can the Prime Minister possibly justify creating a series of provincial dominoes of which Ontario is just the first and which has no choice but to match the tax cuts of Quebec?

Right Hon. Jean Chrétien (Prime Minister): Mr. Speaker, I must be doing something right when I have the tobacco companies mad at me as well as the NDP in Ontario.

I am very surprised at the statement of the hon. member because Premier Rae knows the truth. On December 13 we started to discuss matters with provincial officials in Ontario and Quebec. I have spoken with Mr. Rae many times. I talked with him again on the telephone on Friday night. On Sunday he sent his officials, led by his chief of staff, Mr. Agnew. They spent Sunday with Mr. Shortliffe, people from my office, people from the police and so on. They knew all the facts, the whole package. We discussed what should be and what should not be in the package.

To go on TV last night and say that we had made a deal without talking to them I think was very cheap politics.

Some hon. members: Hear, hear.

Mr. Ed Harper (Simcoe Centre): I have a supplementary question, Mr. Speaker. The premier of Nova Scotia also expressed his disagreement with the Prime Minister yesterday. In fact the majority of premiers are strongly opposed to this tax reduction.

Why has the Prime Minister chosen to listen to the premier of Quebec while ignoring other affected premiers?

Right Hon. Jean Chrétien (Prime Minister): Mr. Speaker, I said in the House yesterday that the person who convinced me about the reduction of the tax was the head of the RCMP of Canada, who said that if we want really to cure the problem quickly we have no choice but to take the wind out of these sails.

(1435)

I have done it. To try to make it a question of Quebec and the rest of Canada is not right. The problem is in Ontario which has a premier who wants to keep his head in the sand and not face reality.

Some hon. members: Hear, hear.

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[Translation]

CHILD CARE SERVICES

Mrs. Christiane Gagnon (Québec): Mr. Speaker, a survey conducted by the Quebec Office for the International Year of the Family as part of the Tax and the Family Forum showed that 80 per cent of Quebecers believe that the government should do more to develop child care services.

In the absence of the Minister of Finance, I will direct my question to the Prime Minister. Mr. Prime Minister, in the context of the International Year of the Family, does the government intend to make available to the provinces the financial resources required to go ahead with developing child care services?

The Speaker: Order. Please address your questions to the Chair if at all possible.

Hon. Sheila Copps (Deputy Prime Minister and Minister of the Environment): Mr. Speaker, let me start by saying that we recognize the results of the survey. We also recognize that the people of Quebec have always been leaders on the issue of child care.

Having said that, in the Liberal Party's red book we stated that first and foremost we must see a three per cent growth in the economy. We want the economy to grow another three per cent before putting into place a system to triple the number of day care spaces made available every year. So, 50,000 spaces will be created in each year once the economy starts to grow at a rate of three per cent, and we will thus obtain 150,000 spaces over three years.

Oral Questions

Mrs. Christiane Gagnon (Québec): Mr. Speaker, my supplementary question is for the Minister of National Revenue.

As we know, some taxpayers get to deduct entertainment expenses such as business luncheons and golf games. Can the minister tell this House when the government will make the necessary tax changes to allow taxpayers, generally women, to deduct child care expenses as business expenses?

Hon. David Anderson (Minister of National Revenue): Mr. Speaker, I can understand the hon. member's concerns. This is a matter of financial policy. I will take it up with the hon. Minister of Finance and get back to her as soon as I have an answer.

* * *

[English]

TOBACCO SMUGGLING

Mr. Jim Silye (Calgary Centre): Mr. Speaker, my question is for the Solicitor General.

Yesterday the Prime Minister stated quite clearly that Canada is one sovereign nation, has one set of laws and these laws will be enforced equally in every part of the country.

These statements notwithstanding, there remains a widespread perception across Canada that there are differing provisions for the enforcement of law depending on whether an infraction occurs on or off a native Indian reserve.

Could the Solicitor General advise the House whether the guidelines to be used by the RCMP in enforcing the government's action plan on smuggling differ depending on whether the infractions occur on or off a native Indian reserve?

Hon. Herb Gray (Leader of the Government in the House of Commons and Solicitor General of Canada): Mr. Speaker, I want to repeat and confirm what the Prime Minister said earlier in this question period, that the law will be enforced everywhere in Canada and that is the case. I am happy to say it again here.

Mr. Jim Silye (Calgary Centre): Mr. Speaker, I would like it to be a bit more specific. There is a general perception out there that there are two sets of laws, one on a native reserve and one off a reserve. I would like to have clarification on that.

I have a supplementary question. Does the Solicitor General propose—can you hear me, Mr. Speaker?

(1440)

The Speaker: I cannot hear the question being put because there must be noise up here someplace. I know it is not me.

Mr. Silye: Mr. Speaker, does the Solicitor General propose any alterations to guidelines issued to the RCMP for enforcing the government's action plan on smuggling with respect to the enforcement of smuggling laws on Indian reserves?

Hon. Herb Gray (Leader of the Government in the House of Commons and Solicitor General of Canada): Mr. Speaker, the government has been in place for only three months.

I can say that during this period the only guidelines I am aware of is that the RCMP should do its duty, as it always has, and enforce the laws of Canada everywhere in the country. This is what it is doing.

* * *

[Translation]

SOFTWOOD LUMBER INDUSTRY

Mr. Stéphane Bergeron (Verchères): Mr. Speaker, my question is for the Minister for International Trade. While successive judgements confirm the Canadian position in the interminable conflict on softwood lumber, the United States announced yesterday that it intends to appeal the decision of the panel established under the free trade agreement. We thought that this decision of the panel would end the dispute which has already cost Canadian producers about \$500 million.

Does the minister intend to take this matter up with the American authorities to end the harassment of Canadian softwood lumber producers and does he intend to convince the American trade representative, Mr. Kantor, to end once and for all this conflict which has already gone on too long?

[English]

Hon. Roy MacLaren (Minister for International Trade): Mr. Speaker, I have met on several occasions with Mr. Kantor about the matter the hon. member raises. As he probably knows, two panels have recently reported in Canada's favour in the softwood lumber case. The possibility is now open to the United States to issue what is called an extraordinary challenge.

I have taken each occasion of my meeting with Mr. Kantor and with U.S. officials to say that we see no basis whatever for an extraordinary challenge.

[Translation]

Mr. Stéphane Bergeron (Verchères): Mr. Speaker, what with agriculture, western wheat, magnesium, beer, steel and now softwood lumber, does the minister not agree that the American strategy is clear, namely to use every possible recourse to prevent our companies from having access to their markets?

[English]

Hon. Roy MacLaren (Minister for International Trade): Mr. Speaker, under both the FTA and the NAFTA there have

been problems of continuing export harassment by the United States. When we decided to continue our consideration of NAFTA we sought solutions to these problems of continuing harassment.

It is for that reason we put in place trilateral groups to work out agreements on anti-dumping and on subsidies so that these opportunities for the United States to continue its harassment of Canadian exports are either reduced or eliminated.

* * *

IMMIGRATION

Mr. Pat O'Brien (London—Middlesex): Mr. Speaker, my question is for the Minister of Citizenship and Immigration.

Several of my constituents have told me of the difficulty experienced by many immigrants in trying to understand the functioning of the Canadian government and its many agencies. Obviously this problem is exacerbated when these newcomers do not speak English.

In order to minimize the sense of isolation felt by many immigrants, will the minister in the upcoming public consultations address this issue and will he undertake to have better co-ordination among all levels of government regarding this important matter?

Hon. Sergio Marchi (Minister of Citizenship and Immigration): Mr. Speaker, I would like to thank the member for his question. I took note of the statement by the member on January 31 with respect to the same issue.

While members of the Reform may laugh, it is very important the member underline the role that settlement plays when we have set levels of immigration. We cannot divorce the two if we want to guide a coherent immigration policy.

I can assure the member that over 300 organizations have entered into contractual agreements with my department to improve those settlement deliveries. In fact one entitled Host was piloted in the member's very own riding.

(1445)

I can assure the hon. member and the House that the specific subject of settlement will be an integral part of the consultation process. The subject will also be the focus of an expert panel to ensure that we are maximizing our settlement programs and seeking modifications where they are needed.

Mr. Grant Hill (MacLeod): Mr. Speaker, my question is also for the Minister of Citizenship and Immigration. Should our immigration numbers be based on first, a percentage of Canada's population or, second, the country's current economic conditions and needs?

Hon. Sergio Marchi (Minister of Citizenship and Immigration): Mr. Speaker, when we announced the levels we talked about a balanced approach. If one is to consider a number

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of different variables I am not sure we should put more emphasis on one or the other.

We need to have a balanced approach that serves the interests of our country, that serves the interests of families and family reunification, that serves the interests of job creation and investment as we have done through the increase of independent skills and business workers.

The other slant of immigration policy has to do with maintaining a tradition of keeping our obligations to those who seek assistance so there is a humanitarian aspect to immigration. Only when we have a balanced approach do we have a good healthy immigration policy.

Mr. Grant Hill (MacLeod): Mr. Speaker, an interesting response, considering I put the same question to my constituents last weekend with very interesting results.

My supplementary question is for the same minister. Would he undertake to put this question to all Canadians through an approved polling process and table the results in the House?

Hon. Sergio Marchi (Minister of Citizenship and Immigration): Mr. Speaker, we have just been through the most exhaustive consultation process. It is called a national election. The last time I checked the Prime Minister had won a decisive national mandate. Immigration was part of the red book.

On top of that we have announced an unprecedented consultation process which will not only talk to organizations and experts but also allow Canadians to have their say in developing the policy because after all this is their country as well.

* * *

[Translation]

INTERNATIONAL DEVELOPMENT ASSISTANCE

Mr. Philippe Paré (Louis-Hébert): Mr. Speaker, my question is for the Minister of Foreign Affairs. Even before initiating the vast public consultation process, and before setting up the parliamentary committee in charge of reviewing the Canadian foreign policy, the minister has indicated that cuts are to be expected in international development assistance.

Considering that development aid through NGOs represents barely 10 per cent of all Canadian aid, and that the minister indicated that he would rely more on NGOs, can he tell us what proportion of the aid he intends to provide through NGOs in the future?

Hon. André Ouellet (Minister of Foreign Affairs): Mr. Speaker, I must say that the hon. member's question is premature. He has every reason to support the initiatives of non-governmental organizations, which are making exemplary contributions throughout the world. I can assure him that we will do our very best not only to maintain, but perhaps even to increase the percentage going through NGOs.

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However, I cannot be more specific today. Like everybody else, we have to wait to see the budget of the Minister of Finance. In this regard, all Canadians will certainly be concerned by the fact that the government must, while being just and fair, curtail the budgets of all its departments and agencies, including the Canadian International Development Agency.

Mr. Philippe Paré (Louis-Hébert): Mr. Speaker, does the minister intend to pursue the previous government's policy and continue to tie development aid to human rights?

(1450)

Hon. André Ouellet (Minister of Foreign Affairs): Mr. Speaker, I assure the hon. member that this issue remains a priority for our government. It is one of several aspects which the Canadian government must consider in its diplomatic relations throughout the world. Of course we must raise this issue whenever we can, but isolating countries which do not share our views will not necessarily help our position with their leaders.

* * *

[English]

INTERNATIONAL LESBIAN AND GAY ASSOCIATION

Mr. David Chatters (Athabasca): Mr. Speaker, my question is for the Minister of Foreign Affairs.

In July of last year Canada's representative on the UN's Economic and Social Council voted in favour of granting roster status to the non-governmental organization called the International Lesbian and Gay Association, which is an umbrella group representing a number of organizations, including the North American Man-Boy Love Association. This organization promotes sexual freedom between men and boys and opposes age of consent laws and other restrictions which deny men from having sex with boys.

I would like to ask the minister if his government endorses the decision of Canada's representative on the UN committee that voted in favour of granting status to this umbrella group.

Hon. André Ouellet (Minister of Foreign Affairs): Mr. Speaker, I want to thank the hon. member for giving me notice of his question. I want to tell him that when Canada, the United States and western European countries voted in favour of giving consultative status to the ILGA, they were not aware the North American Man-Boy Love Association was affiliated with the International Lesbian and Gay Association.

I am now informed that corrective action has been taken.

Mr. David Chatters (Athabasca): Mr. Speaker, I have a supplementary question. I would like to ask the minister if he

would instruct Canada's representative on the UN committee to rescind our endorsement of this umbrella organization.

Hon. André Ouellet (Minister of Foreign Affairs): Mr. Speaker, it is important to realize that the goal of the ILGA in seeking consultative status at the UN was to raise the issue of human rights abuses against lesbians and gay men.

Irrespective of the affiliations of which we were not aware, we believed it was important that corrective measures be taken and this was done to our satisfaction. I also understand it is to the satisfaction of other countries who supported the same resolution.

* * *

AGRICULTURE

Mr. Bob Speller (Haldimand—Norfolk): Mr. Speaker, my question is for the Minister of Agriculture. I want to assure my colleagues in the Reform Party that it deals with an issue of importance not only to my riding but to many farmers across the country.

In the red book we promised a system of whole farm support that would help Canadian farmers who are in distress. I wonder if the minister could guarantee that the programs we set forward in whole farm support will have the broadest range of public input and public say on this issue. I wonder if he could also bring the House up to date on the status of that program.

Hon. Ralph E. Goodale (Minister of Agriculture and Agri-Food): Mr. Speaker, I appreciate the question. Under the previous government and in conjunction with provincial governments a process is under way to review and revamp Canadian farm income safety net programs. That process resulted in a conference last week in Winnipeg involving the federal government, the provinces, farm organizations and others aimed toward developing a consensus on farm safety net programs.

There was a great deal of support at the meeting for the concept of the whole farm program that we had described in our red book, a program that would be GATT consistent and market neutral and financially sound, affordable and effective. Unfortunately we had less agreement concerning the exact details of such a program or programs.

On the hon. member's point about the broadest possible consultation, he and others can be completely assured of that as we work toward the final development of this concept. I would also want to include in that consultation all members of the House of Commons who would be interested in this very important subject for agriculture.

Oral Questions

(1455)

*[Translation]***REPRODUCTIVE TECHNOLOGIES**

Mrs. Pierrette Venne (Saint-Hubert): Mr. Speaker, in its report the Baird Commission recommended prohibiting research on altering human embryos. The public wants research, as well as the application of new reproductive technologies, to be subject to very strict controls.

Will the Minister of Justice and his government propose amendments to our criminal laws in order to prohibit research on altering human embryos?

[English]

Hon. Allan Rock (Minister of Justice and Attorney General of Canada): Mr. Speaker, as the hon. member knows, the royal commission made some 300 recommendations in a very extensive report after an extended period of study. We have all those recommendations under consideration, primarily in the Ministry of Health.

But it is true to say that some of the recommendations had to deal with amendments to the Criminal Code to create new offences to reflect societal values. I can tell the hon. member that we are studying those in particular. We will take great care in assessing the recommendations to distinguish between reasonable, permissible and desirable research on the one hand and not permissible conduct on the other hand.

That is the challenge. Those studies are under way and we will report to the House in due course.

[Translation]

Mrs. Pierrette Venne (Saint-Hubert): Mr. Speaker, there are many recommendations in the report, some 300 in fact, but all 300 do not concern the Minister of Justice.

Does the minister agree that it is urgent to table during this session a comprehensive piece of legislation on new reproductive technologies, taking into account of course the scope of the federal jurisdiction?

[English]

Hon. Allan Rock (Minister of Justice and Attorney General of Canada): Mr. Speaker, I can assure the hon. member that we are studying the recommendations with a haste that reflects their urgency.

* * *

EQUALIZATION PAYMENTS

Mr. Ted White (North Vancouver): Mr. Speaker, my question is for the Prime Minister.

Under the agreement recently negotiated with the provinces by the Minister of Finance, Quebec will receive \$3.7 billion in equalization payments—that is 47 per cent of the total—while B.C., Alberta and Ontario receive nothing.

The formula used to calculate the size of the equalization payments is said to take into account the ability of individual provinces to tax their residents.

Since the Prime Minister wants all taxation to be fair and to close all loopholes, how can he approve of such a large payment to Quebec when the tax rate for corporations in Quebec is only 6.9 per cent, while it is between 15 per cent and 17 per cent for corporations in the rest of Canada.

Right Hon. Jean Chrétien (Prime Minister): Mr. Speaker, the formula is a very complex one and every component is incorporated. If we extract one we can come to all sorts of conclusions.

This system has been established for a long time and it is now guaranteed in the Constitution.

Mr. Ted White (North Vancouver): Mr. Speaker, I have a supplementary question for the Prime Minister.

It would appear that because corporations in Quebec are paying income tax at a rate approximately one-half the rate being paid by corporations in the rest of Canada, that the people of B.C., Alberta and Ontario are subsidizing businesses in Quebec.

Could the Prime Minister confirm that equalization payments to Quebec would be much lower if corporations in Quebec paid their fair share of corporation income taxes?

Hon. Douglas Peters (Secretary of State (International Financial Institutions)): Mr. Speaker, I am pleased to answer the hon. member's question.

The details of the equalization payments are based on the ability of taxation standards among the provinces. They do not relate to tax rates. They relate to the ability to pay taxes including property taxes, corporate taxes and all sorts of other taxes. It is a very complicated formula. I will be happy to supply the member with it if he would like to look at it. It is a very fair basis, as the Prime Minister said, based on the Constitution.

* * *

*[Translation]***AGRICULTURE**

Mr. Maurice Bernier (Mégantic—Compton—Stanstead): Mr. Speaker, the Department of Agriculture and Agri-Food decided to slaughter a Highland bull imported from the United Kingdom because, according to the department, this animal might suffer from the so-called mad cow disease. However the maximum incubation period for that disease is eight years, and this bull, which was considered to be of unique genetic value in the world, had been in Canada for 12 years.

Routine Proceedings

(1500)

My question is for the Minister of Agriculture and Agri-Food. Since the incubation period does not justify killing the animal, whose commercial value is upwards of \$40,000, why was the department so intent upon getting rid of it?

[English]

Hon. Ralph E. Goodale (Minister of Agriculture and Agri-Food): Mr. Speaker, the problem in Canada with BSE disease in cattle in the last number of months is a very serious one. It is very troubling to livestock owners. They obviously recognize the problem of not dealing with the disease but also recognize the very traumatic consequences that flow from the kind of control measures which are necessary to deal with the disease.

It is not a happy situation but it is one officials in my department have been approaching very seriously and conscientiously. Our control measures have had the complete support of virtually every major livestock organization in the country as well as the veterinary medical associations, provincial departments of agriculture, international trade officials and our world trading partners.

It is not a happy circumstance but we have tried to deal with it in a very conscientious and, to the extent possible, compassionate way.

ROUTINE PROCEEDINGS

[English]

INTERPARLIAMENTARY DELEGATIONS

Hon. Charles Caccia (Davenport): Mr. Speaker, pursuant to Standing Order 34, I am honoured to present, in both official languages, the report of the Nordic Council's Parliamentary Conference on the Arctic held in Reykjavik, Iceland, on August 16 and August 17 last year.

In this report the delegation to the council recommended and found acceptance to a number of recommendations which I will not read in their entirety. I will select from them the most important, namely the importance of co-operation among Arctic states and other parties engaged in the Rovaniemi process and the elaboration of an Arctic environmental protection strategy in accordance with agenda 21 of the United Nations Conference on the Environment and Development.

[Translation]

Mrs. Shirley Maheu (Saint-Laurent—Cartierville): Mr. Speaker, pursuant to Standing Order 34, I have the honour to present to the House, in both official languages, the report of the

parliamentary delegation to Sao Paulo, Brazil, from July 16 to July 19, 1993.

(1505)

[English]

Mr. Ron MacDonald (Dartmouth): Mr. Speaker, pursuant to Standing Order 34, I have the honour to present, in both official languages, the report of the Canadian delegation of the Canada-Japan Interparliamentary Association to the second annual meeting of the Asia-Pacific parliamentary forum held in the Philippines on January 14 and January 15.

The recommendations that came out of this meeting are of great interest to Canada. The fact that the Canadian Parliament decided to participate even before this Parliament was formerly struck certainly indicates the importance that this government and this Parliament place on economic matters in the Asia-Pacific region.

* * *

CANADIAN SECURITY INTELLIGENCE SERVICE ACT

Mr. Tom Wappel (Scarborough West) moved for leave to introduce Bill C-213, an act to amend the Canadian Security Intelligence Service Act.

He said: Mr. Speaker, this is a very specific bill to amend a particular section, section 52, of the Canadian Security Intelligence Service Act. It would provide that the recommendations of the Security Intelligence Review Committee are to be implemented unless overruled by the minister concerned.

In that event the minister would be required to report to Parliament the reasons for overruling the decision of the committee and if the reasons were secret the minister would be required to report to Parliament why they are deemed to be secret.

(Motions deemed adopted, bill read the first time and printed.)

* * *

PETITIONS**YOUNG OFFENDERS ACT**

Mr. Stephen Harper (Calgary West): Mr. Speaker, I am pleased to present petitions with a total of 1,286 signatures mainly from the city of Calgary.

The petitioners request the government to bring in legislation to toughen the Young Offenders Act along the lines of the principles of the former juvenile delinquents act. The petitions are signed in memory of Ryan Garrioch, a young boy in my riding who was murdered in a school yard.

I would urge the government to consider carefully these kinds of recommendations.

OFFICIAL LANGUAGES

Mr. Jack Frazer (Saanich—Gulf Islands): Mr. Speaker, pursuant to Standing Order 36, it is my duty and honour to rise in the House to present a petition duly certified by the clerk of petitions on behalf of the constituents of Saanich—Gulf Islands and the surrounding area.

The petitioners humbly pray and call upon Parliament to enact legislation providing for a referendum of the people, binding upon Parliament, to accept or reject two official languages, English and French, for the government and people of Canada.

SERIAL KILLER BOARD GAME

Ms. Judy Bethel (Edmonton East): Mr. Speaker, pursuant to Standing Order 36, I am presenting a petition from the residents of Edmonton asking the government to ban the sale of the serial killer board game and similar games in Canada.

This petition, gathered by the members of St. Matthew's Parish, has the marks of children on the back. It is for the sake of these children and all the children of Canada that I support this request.

Promoting violence which these games do is not in the best interest of children. Protecting a safe environment for our children is as important as freedom of speech and it justifies the action proposed in this petition as reasonable in a free and democratic society.

OFFICIAL LANGUAGES

Mr. Jim Hart (Okanagan—Similkameen—Merritt): Mr. Speaker, I rise under Standing Order 36 of the House to present a petition on behalf of some concerned constituents of my riding of Okanagan—Similkameen—Merritt.

This petition requests that a referendum be held to accept or reject the official languages of Canada.

(1510)

This petition is duly certified by the clerk of petitions. The petitioners feel that the current official languages policy of Canada is divisive and also very expensive under the current financial restraints.

It gives me great pleasure to present the petition this afternoon.

CANADA POST

Mr. Philip Mayfield (Cariboo—Chilcotin): Mr. Speaker, I am honoured to rise in the House to present a petition from the residents of Horsefly, British Columbia.

My constituents are firmly opposed to any reduction in postal service and postal personnel in rural communities as well as to the closure of rural post offices.

My constituents call upon Parliament to ensure that rural communities which have already been badly affected by the

Government Orders

reductions will recover the complete postal services to which they are accustomed.

KILLER CARDS

Mr. Gary Pillitteri (Niagara Falls): Mr. Speaker, pursuant to Standing Order 36, it is a pleasure for me to present a petition signed by the residents of my riding of Niagara Falls.

The petitioners are asking for amendments to be made to our laws prohibiting the importation, the distribution and sale of killer cards. They would like to advise the manufacturer of these killer cards that their products, if destined for Canada, will be seized and destroyed.

* * *

QUESTIONS ON THE ORDER PAPER

Mr. Peter Milliken (Parliamentary Secretary to Leader of the Government in the House of Commons): Mr. Speaker, I would ask that all questions be allowed to stand.

The Speaker: Shall all questions be allowed to stand?

Some hon. members: Agreed.

* * *

[*Translation*]

BUSINESS OF THE HOUSE

Hon. Fernand Robichaud (Secretary of State (Parliamentary Affairs)): Pursuant to our Standing Orders, I want to inform the House that tomorrow, February 10, and Friday, February 11, will be allotted days.

GOVERNMENT ORDERS

[*English*]

FEDERAL—PROVINCIAL FISCAL ARRANGEMENTS
AND FEDERAL POST—SECONDARY EDUCATION AND
HEALTH CONTRIBUTIONS ACT

The House resumed from February 8 consideration of the motion that Bill C-3, an act to amend the Federal—Provincial Fiscal Arrangements and Federal Post—Secondary Education and Health Contributions Act, be read the second time and referred to a committee.

The Acting Speaker (Mrs. Maheu): When Bill C-3 was last before the House there were four minutes remaining in the question and comment period to the speech by the hon. member for Lethbridge. Since he is not in his place we will resume debate.

Mr. Dennis J. Mills (Parliamentary Secretary to Minister of Industry): Madam Speaker, I am pleased to have an opportunity to stand and speak on Bill C-3 today because I believe the bill speaks to the very value system the nation represents.

Government Orders

I want to begin by telling members of the House a short story about an experience that I was involved in about four years ago. It took place in Quebec City. I met a great Canadian artist from Quebec by the name of Richard Séguin. I went to a concert of Richard Séguin's; it was the first time I had heard him sing. I came away from that event moved by the talent, the energy and the real greatness of this Canadian artist.

When I arrived home to Toronto I went down Yonge Street. I went into some of the popular record stores to try to buy a tape of Séguin because I wanted some of my friends to listen to him. After about six record stores on Yonge Street, in the back corner I finally found one cassette of Richard Séguin. "Journée d'Amérique" was the name of the cassette.

(1515)

I guess it was about a month later that I had lunch with him in Montreal. I told him the story about how it was so incredible that while this artist sold 100,000 tapes, records or albums in the province of Quebec and was so well known, in downtown Toronto in the largest record stores, it took six stores and in the back corner of one store I found one cassette.

He said that sort of exemplifies some of the frustrations and some of the reasons why many of us in Quebec ask ourselves what is in Canada for us. He is a great artist and sells a large number of tapes in Quebec but outside Quebec he is known to very few people.

Just as Canadian artists from Quebec are not well known beyond their borders, there are a lot of things done through the Government of Canada that are not well known in the province of Quebec.

I am not standing here today trying to suggest that there are not frustrations or discrepancies coming from Quebec or, for that matter, from many other provinces. It is very important that on a bill such as this all of our constituents, no matter what region of the country they are from, should all understand what equalization is all about.

It is especially important today because this is the first Parliament in our history in which Her Majesty's Loyal Opposition represents a point of view which wants to dismantle Canada, wants to separate from Canada.

My community hears about a bill like Bill C-3, in which through equalization we transfer moneys from the have provinces to the have not provinces. We are talking about an agreement that was signed last week supported by all the provinces and the Minister of Finance. We are talking about a deal that goes the next five years. The basic essence of this bill entitles seven of the ten provinces to fiscal transfers from three provinces, B.C., Alberta and Ontario. They are funds with no strings attached so that they will have the same standard of living, a national standard, a national tax base, the same access to services right across the country.

(1520)

The Quebec portion of this transfer over the next five years, the period of this Parliament, is \$70 billion. That means that we as Canadian taxpayers will be transferring from the have provinces to Quebec and the other seven provinces a large sum of money. I want to deal specifically today with the \$70 billion that is being transferred to the province of Quebec.

I want to say at the outset that by constitution this is an entitlement which I have no quarrel with. I support it happily but it is in the face of that transfer that I have great difficulty in understanding why members opposite would want to walk away from that type of environment where we try to create national standards and national programs so that the constituents of their ridings can have access to the same services as the constituents of my riding.

We tend to think that this is the only thing that happens in this particular bill, that it is just a matter of transferring money. It is more than that. It allows the provinces to basically make their own decisions. Each of the provinces can make their own decisions as to how they want their communities, their people of that particular province served. It is not a condition where the Government of Canada is imposing a very specific directive on that money.

The provincial members of Parliament are the sole directors of how those funds will be spent. It is no business of this Chamber. The only thing that is the business of this Chamber, the Government of Canada, the Parliament of Canada, is to make sure the formula is implemented and the cheque is transferred.

I have talked to a few people, not only in my riding, but other friends that I have from the province of Quebec and many Canadians, not just in Quebec but all across Canada. They are not aware of this equalization bill. They are not aware of the extent or the numbers of dollars that are involved.

That is what led me as we were preparing for Bill C-3 also to look into some of the other Government of Canada activities that take place in the province of Quebec. I am skewing or I am pushing my argument a bit toward the province of Quebec today because we do not have representatives from the other provinces saying that they want to separate, that they want to tear the place down.

I for the life of me cannot understand why this is going on, this notion of wanting to run away from this partnership, from this value system, where we all share on a national standard. We cannot just think of this bill as I mentioned earlier. We have to think of the presence of the Government of Canada in many other areas.

I would like to cite a few of them. One of the highest profile projects in the province of Quebec is the James Bay project. There is a perception out there that it is primarily a provincial project. As I was preparing today I did a short overview, a glance, a summary of some of the Government of Canada

expenditures from 1986 to 1991 in the James Bay project. Did you realize, Madam Speaker, that in that one project the Government of Canada, through Indian and Northern Affairs, Canada Mortgage and Housing, Transport Canada, Industry, Science and Technology, Employment and Immigration, Secretary of State, Health and Welfare, Energy, Mines and Resources, Environment Canada, Fisheries and Oceans, Justice and the Solicitor General, contributed \$607 million toward James Bay?

(1525)

I am not standing here saying that we should not be doing these things. These were decisions made by this Chamber and by members of Parliament who fought for their constituents, whether it be for job creation or to make sure that the economic viability of the province was there, but what I cannot understand is after all of this sort of federal presence, this Government of Canada work and presence, why Her Majesty's Loyal Opposition wants to separate.

That is a question that many of my constituents have. I thought that today, because we were debating this bill, it would be a time to reflect and a time for all of us on this side to revisit the whole exercise of examining the Government of Canada presence in the province of Quebec. It is incumbent upon all of us to make sure that all of our constituents and all of their constituents know just what services are provided and where we fall short.

I am not suggesting for a second that the situation is perfect. I think that Richard Séguin has a legitimate beef. When we talk about Canadian artists I believe Richard Séguin is a Canadian artist. When we listen to English radio stations all we hear is English radio programs. Those are Canadian airwaves. Why can we not have Séguin on every radio station in Canada the same way we have Anne Murray or Blue Rodeo on every radio station in Canada?

I am not standing here saying that there are not some legitimate concerns, but what I am concerned about is the fact that we are not communicating to the people who live and work in the province of Quebec all of the Government of Canada presence that is there for them. The Government of Canada presence through programs and services, whether they be in industry, through the Department of National Defence, through the historic sites that are supported by the Government of Canada, through the Department of Tourism, all of these points of presence are something that we have to make known to the people of Quebec. If they should want to walk away from that they should at least know what the whole story is all about.

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I am convinced that once the total and accurate story has been told there will be some Quebecers who may now be thinking more in the separatist mode who might change their position. Is it possible? I hope so.

I feel the more the members opposite become exposed to some of the Government of Canada work that is done in the province of Quebec that some of them might be a little less antagonistic toward the whole notion of Quebec within Canada.

(1530)

I stand here today recognizing and supporting totally Bill C-3. I hope that all members opposite will communicate to their constituents that we on this side of the House are supporting this bill with firmness. We are not in any way, shape or form questioning it, but we are asking ourselves if we are communicating. Usually when someone has a resentment toward a particular institution or a particular operation of government, there are legitimate reasons like waste or duplication. I accept the fact that we must work at correcting a lot of those flaws that are in the system.

Those flaws that are in our system right now were created by many institutionalized bureaucracies around here. Those frustrations, believe you me, are the same for many people. We have the same feeling in downtown Toronto for those duplications and institutionalized bureaucracies and units that are no longer serving the end user in the way they were originally intended to serve the end user. But we do not say okay, let us throw up our hands and quit. The purpose of our presence here today is to make sure that we fix those things that are no longer serving the public.

I hope that the message of the bill can be told to the people of Quebec. In the last five years close to \$50.7 billion was transferred; in the next five years it will be close to \$70 billion. That, along with all the other Government of Canada presence in the province of Quebec, I believe should mean something. Let us hope with a good communication plan over the next little while it will shift the attitude and cause a different approach from Her Majesty's Loyal Opposition.

[*Translation*]

Mr. Paul Crête (Kamouraska—Rivière-du-Loup): Madam Speaker, I thank the hon. member for Broadview—Greenwood for his speech, because finally he got into the substantive issue.

The people of Quebec all know what is in this bill; for 25 years, we in Quebec have been debating this situation of money from the federal government that fluctuates from year to year. For us the time for plumbers is over; for us now is the time for architects.

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We do not care that you wanted to give us fish with a law like that. We want to be able to fish. What we want is to control things ourselves and have a free hand to run our own show. For that, what is most important to us is to have a government that raises taxes giving services to the people for the taxes it raises.

Now, because of the problem with Canadian federalism, to begin with, whereby the federal government has the right to raise taxes in areas it does not control, we have this fantastically hypocritical situation where the federal government says that it is giving us money back. It is not giving us money back; it is collecting our taxes and distributing them differently and for 125 years we have fought it because it never suited us.

That is why we in Quebec decided that there was no longer any point in coming here to fight with federalist members. Thus Quebecers elected sovereigntists because, as I was just saying, they no longer want to change the plumbing; they want to change house.

What I also wanted to tell you is that there are still problems with this bill, because from the time a ceiling was set, the following perverse effect has been created: Quebec's payment is 60 per cent of what it would be without the ceiling. When the federal government was run without the present level of deficits, we could afford this reduction, setting aside the basic problem with the federal system.

(1535)

Since the federal government has no more money because it mismanages ours, not only Quebecers' money but that of all Canadians, it set a ceiling. With the ceiling, Quebec's share is decreasing systematically.

I quite agree with what the hon. member said about Richard Séguin—I know him well, and also his twin sister, who is a great singer; they are about my age and we have the same dream—we want to control our means of development so that our future can turn out as we want.

[English]

Mr. Mills (Broadview—Greenwood): Madam Speaker, I do not think the hon. member is reading the bill accurately. The fact is the money being transferred to the province of Quebec is not coming from the province of Quebec. It is coming from other taxpayers in regions of the country that happen to be blessed with natural resources or other economic advantages. As part of a constitutional agreement and through entitlement the money is taken from those advantaged provinces and regions and put into the province of Quebec so that there is a national standard for all citizens.

For the hon. member to suggest that the taxes are coming from Quebec and going back into Quebec is not accurate. That is the point I was trying to make. The whole area of fiscal transfers and

transfers of Government of Canada service needs a full examination.

If the hon. member's remarks were to be picked up in his community right now they would not be accurate. The hon. member should be saying to his constituents that they will in fact be receiving from advantaged provinces over the next five years close to \$70 billion in equalization payments. That would have a much different effect on his constituents and their attitude toward Confederation than if he said they are just reshuffling their own money.

At least the hon. member did agree that this is the essence of the whole discussion which has to go on in the next little while. I for one am not going to shirk away from my responsibility to talk about the Government of Canada's presence in the province of Quebec, not just where it failed but also the good things it has done for the province.

In this debate it is very important that the separatist members make sure they put the facts on the table and not twist them.

[Translation]

Mr. Pierre Brien (Témiscamingue): Mr. Speaker, I was deeply shocked, I must say, by the previous speaker's comments because I think they show a profound ignorance of the whole tax system, of the way government revenue is collected, as well as a mathematical oversimplification. I even wonder whether he understands the overall purpose of federal transfers and how they work. He should be looking at established programs, at what has happened in the education and health sectors to find out what is going on and recognize the strong tendency behind it.

Equalization enables us to measure the capacity of a province to collect revenue. It is this factor that determines whether a province is defined as rich or poor. He should take into account the fact that many decisions made by the federal government, particularly Quebec's non-involvement in research and development, has led to Quebec being seen as a province that does not have the same capacity to collect tax revenue. Other actions by the federal government prevent Quebec from doing this.

(1540)

We should not act in isolation. If he wants to do it, I can do it with him. I have before me figures on defence spending. Quebec, with 25.5 per cent of the population, only receives 17.4 per cent of spending, an annual shortfall of \$565 million. The hon. member should not indulge in fiscal oversimplification.

If we look at the whole picture, as we did during the election campaign when we had all the data, he would be surprised to see how unfavourable federalism is to Quebec from a fiscal point of view. We do not get our fair share given all that we pay and what we get in return.

Saying that equalization is a gift is an outrageous attitude. Quebecers also pay taxes here.

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Mr. Mills (Broadview—Greenwood): I did not say that.

Mr. Brien: It is an outrage to suggest it is a gift. I refuse to accept it and I challenge him to come and debate the issue during the referendum campaign in Quebec in the same forums I will attend, so that Quebecers and Canadians can look at the real figures and get the whole picture.

[*English*]

Mr. Mills (Broadview—Greenwood): Madam Speaker, my remarks will be very short.

I have said on more than one occasion in the House that there is not a region that does not have some legitimate frustration with the Government of Canada, and Quebec is no exception. The House must thoroughly examine the last 20 years of the presence of the Government of Canada in the province of Quebec and its attempts to try to make life meaningful and productive just as it does in every region of the country.

Members of Her Majesty's Loyal Opposition should realize that not only do we have members in our caucus from the province of Quebec who represent a voice for Canada in that province but for many years before that there were members from Quebec who would disagree with the approach these members are taking today.

[*Translation*]

Mrs. Suzanne Tremblay (Rimouski—Témiscouata): Madam Speaker, I would like to associate myself with my colleagues to vigorously protest against the fact that the government does not limit itself to technicalities regarding equalization in Bill C-3.

What should have been done is a comprehensive review of federal transfer payments to the provinces, including established programs financing through which the federal government makes contributions to health and post-secondary education; the Canada Public Assistance Plan through which the federal government makes contributions to the provinces' social assistance programs and welfare services; and all the other programs governed by federal-provincial arrangements.

This piecemeal approach the government is taking will leave the door open to unpleasant surprises when the time comes to renegotiate the other bilateral arrangements. This approach does not give us a complete picture of all the cuts to come.

In fact, the trends are worrying. Federal contributions to transfer programs as a whole are in free fall. In Quebec alone, federal transfer payments have dropped from 28.9 per cent of the gross revenues of the province in 1983-84 to 20.1 per cent in 1993-94, and they should account for as little as 15.8 per cent of Quebec's revenues by 1997-98.

Fiscal transfers no longer meet the objective they were intended to meet, although this objective was entrenched in the 1982 Constitution to promote equity among the regions. It is

common knowledge now that attaching limits to equalization and established programs financing makes have-not provinces poorer and have provinces richer.

(1545)

The federal government's withdrawal from various transfer programs is proving to be very expensive for Quebec. It is clear that the federal government wants to reduce its deficit at the expense of the provinces, and including Quebec.

Since the Bloc's position on equalization was already explained at some length by the two previous speakers for the Official Opposition, I would like to address two areas where Quebec did not receive its fair share: research and development and established programs financing.

Why is spending on research and development so important for the economy? Why talk about research and development in a debate on equalization? Simply because research and development constitutes a so-called structural investment, an investment that helps create a modern and competitive industry that generates high quality, well paying and permanent jobs. Through its productivity and growth, industry has a positive impact on the entire economy of a country.

The federal government is a very important player in research and development. In fact, it provides two types of funding for R and D activities: internal funding and external funding. Internal spending covers all R and D activities funded and conducted by the federal government. These expenditures are recurrent in nature. As for external spending, this covers all R and D activities which the government finances but does not conduct itself. This type of spending is random in nature since it can easily be shifted elsewhere in subsequent years.

In 1989, the federal government funded nearly 30 per cent of all R and D activities in Canada. Between 1979 and 1989, Quebec received only 18 per cent of federal spending in this area, while Ontario received 50.1 per cent, which works out to \$4.6 billion for Quebec and \$12.5 billion for Ontario.

In a study dealing with the equity of R and D financing, Pierre-Étienne Grégoire applied four criteria to determine under-funding or over-funding of R and D in the provinces.

These criteria are as follows: demographic weighting; economic weighting, which reflects support for regional economic activities; significance of regional R and D activities, which reflects support for new technology in the region; and significance of R and D involvement by provincial governments.

Accorded to these criteria, Quebec and Alberta are under-funded across the board. The study concludes that the provinces benefitting most in terms of regional development and economic growth are Newfoundland, Prince Edward Island, Nova Scotia, New Brunswick, Ontario and Manitoba; Saskatchewan and British Columbia benefit in terms of regional development;

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and Quebec and Alberta do not benefit, either in terms of regional development or economic growth.

Finally, Quebec and Alberta are the only provinces with a negative balance for internal spending on research and development.

If we consider the amounts paid under established programs financing, Quebec and the poorer provinces are paying a very high price for the policy adopted by the federal government.

Established programs financing was introduced in 1977. Initially, the government indexed the per capita contribution and prorated this indexed contribution according to the population of each province. However, starting in 1982, the federal government gradually withdrew from financing this program by reducing the per capita increment.

We must realize that across-the-board cuts per capita are felt more severely by the poorer provinces, and this situation becomes even worse with the ceiling on equalization payments, since the provinces no longer receive additional equalization to make up for the lost revenue caused by federal cutbacks.

(1550)

Since 1982, cuts in established programs financing have meant a loss of revenue for Quebec, which amounted to \$1.8 billion in 1993-94.

Let us consider the impact of federal disinvestment on post-secondary education, especially at the university level. It is generally agreed that basic requirements in terms of training and skills will increase because of economic globalization and the ensuing need to specialise.

In its third report, the Conseil de la science et de la technologie predicts that by the year 2000, 64 per cent of all jobs will require post-secondary education. The government's withdrawal from funding our universities leads to under-funding of institutions that will be increasingly hard pressed to play the active role one expects them to play in this frenetic race to be competitive. Peter J. Nicholson, vice-president of the Bank of Nova Scotia, defines competitiveness as follows:

[English]

"The ability to produce goods and services that meet the test of international markets while citizens earn a standard of living that is both rising and sustainable over the long run".

[Translation]

An economic study conducted at the request of the Organisation nationale universitaire, which deals with the consequences of disinvestment in higher education and was published in 1993, provides some significant figures in this respect. For instance, a

40-year old worker who graduated from high school earns about \$23,000 while a university graduate earns \$43,000. If we extrapolate what these would earn in the course of their working lives, the university graduate receives additional income that mainly benefits governments, thanks to the current tax system. In Quebec, progressive tax rates allow the state to take an average of 53 per cent of the income of university graduates and 33 per cent in the case of high school graduates.

The study concludes that this sizable difference reflects a potential loss to the State of over half a million dollars every time a high school graduate decides to enter the labour market instead of going on to earn a bachelor's degree.

In the short term, the government saves money by disinvesting in higher education but, in the long term, these so-called savings result in a loss, and as the organization says, when the government wants to save money in the short term and decides to withhold one dollar from its funding of higher education, every dollar not invested will, in the long run, cause the government to lose \$10 in tax revenue. The substantial reduction in tax revenue will, sooner or later, have to be compensated by a corresponding increase in the tax burden for all taxpayers. Unfortunately we will never be able to compensate for the net loss in human capital to our economic, social and cultural development. Basically disinvestment means that human potential and creativity remain untapped, and the loss to society is immense.

Of course disinvestment also has a negative impact through the resulting drain on unemployment insurance and welfare.

According to the Bureau de la statistique du Québec, in 1992, the unemployment rate was 14.3 per cent among high school graduates, while during the same period, university graduates experienced an unemployment rate of 5.8 per cent, despite the recession.

There is also a very significant cost in terms of social assistance, and the government's disinvestment in funding for university education will increase the number of people who will need social assistance later on.

(1555)

According to Statistics Canada, in 1986-87, 52.2 per cent of welfare recipients were people who had only partially completed their high school studies, whereas 2.4 per cent were university graduates.

We could talk for a long time about the negative impact on the economy of the federal government withdrawal in the field of post-secondary education, but all these figures do not say anything about the loss of human potential resulting from this disengagement of the federal government.

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After participating in this exercise, my party and myself come to the following conclusions. First, Quebec is far from getting its share in the research and development sector. This loss results in a very heavy price for our province, since R and D is an extremely dynamic sector of a country's economy. I want to point out that, overall, between 1979 and 1989, Quebec received \$8 billion less than Ontario for that sector alone. In fact, Quebec's economy will feel the adverse effects of this loss for a long time to come.

Our second conclusion is that tax transfers are no longer a reliable source of financing for Quebec and for all the have-not provinces. Cuts imposed by Ottawa deprive Quebec of important revenues. If at least those cuts helped reduce the deficit, they would provide some benefit, but we are well aware that such is not the case. In fact, the federal government forces the poor provinces, including Quebec, to pay for its mismanagement.

The third conclusion which can be drawn is that all the cuts made to the tax transfer system have the effect of increasing the fiscal burden of the poor provinces, that select club to which Quebec belongs. In 1992-93 Quebec lost \$2 billion under the established programs financing alone, yet the law forces the province to maintain national standards regarding the quality of services to which the federal government contributes less and less.

Sovereignty has become more necessary than ever for Quebec. All the measures taken by the federal government to cut these tax transfers to provinces destabilize Quebec's finances. To make things worse, the federal government is not even able to control its deficit.

I want to quote Mr. Jean Campeau who, when he came to my riding during the election campaign, said: "There was a time when Quebec wondered if it could afford to leave Canada. Now Quebec knows that it can no longer afford to remain part of Canada".

Mr. Ronald J. Duhamel (Parliamentary Secretary to Minister of Public Works and Government Services): Madam Speaker, I want to thank my colleague for her speech. I have several questions for her. First, I would like her to explain to the House and to those listening to this debate the difference between sovereignty and separation, because I do not really see any difference between these two concepts. I have to say that when I talk to Canadians, not only those outside Quebec but those in Quebec as well, they have some difficulty understanding the concepts. I think that when the hon. member uses the word "sovereignty" or "sovereignist", it is simply to hide the true objective. That is my first question.

As for my second question, I greatly appreciate that the hon. member has taken the time to explain her position, but is she prepared to concede that this is only one viewpoint? I find it amazing that in all the years that have gone by, nothing good has

been done for Quebec as far as transfer payments are concerned. What you are doing, Madam, through you, Madam Speaker, is the same thing that the Reform party did today. It was dishonest when it tried to make Canadians believe that out of a total of nearly \$8 billion in transfer payments, Quebec received \$3 billion, or 47 per cent of the total. What they neglected to say—and they know this—was that Quebecers account for 60 per cent of those who receive equalization payments.

(1600)

Is the hon. member not trying to do the same thing, namely choosing situations that promote her aims, namely separation? She is trying to make Canadians, and in particular those who live in Quebec, believe that it is unhealthy to be a part of this beautiful country, that it is impossible to sit down and negotiate new agreements that would satisfy their requirements. I find that astonishing.

I was surprised to see the hon. member do the same thing as Reformers who must be getting a little nervous. They are trying to make the voters believe that Quebec receives more than its fair share. They are claiming that Quebec receives 47 per cent of transfer payments whereas in actual fact, it accounts for 60 per cent and more of the population receiving such payments.

I wonder if the hon. member would care to respond to my comments?

Mrs. Tremblay: Madam Speaker, I thank my hon. colleague for his questions.

It is very interesting to see that, in spite of the official position of your party—it is true that the red book has become a thing of the past but still—you seem to be in favour of a referendum debate. Good, welcome to the club!

I do not want to spend too much time explaining the difference between sovereignty and separation, but the hon. member seems to have understood that sovereignty is a legal right. Sovereignty means that as a nation, we can negotiate our own treaties, make our own laws, levy our own taxes. Separation flows from sovereignty; once we have achieved sovereignty, we will be able to say, to put it simply, that we are separate. One is a legal reality, the other a consequence. Sovereignty is a legal status, and separation its consequence.

There is one important point I should make though. This House may not be aware of this, for we are continually portrayed as playing the poor, but the truth of the matter is that this has never been the attitude in Quebec. We Quebecers are proud people. We prefer to stand, even on a broken leg.

What I am getting at is that the federal government is taking nearly 23 per cent of its revenues from the pockets of Quebec taxpayers. On the other hand, between 1963 and 1993, federal departments have made less than 18 per cent—17.9 per cent to be exact—of their investments in Quebec. For 30 years—not one mind you—we never got more than 17.9 per cent of federal investments. This type of investment has a structuring effect. It

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creates steady employment, steady jobs that make insecurity disappear.

Instead, what you are giving us is unemployment and welfare, and we have had enough. This House and Canadians from coast to coast must understand once and for all that we are sick and tired of being told that we are lying to the people. We will not stand for that any more.

[*English*]

Mr. John Harvard (Winnipeg St. James): Madam Speaker, I am very glad we can have some lighter moments in the House, even after listening to some nonsense from separatists.

The previous speaker's comments relating to equalization payments were replete with data, numbers, all kinds of figures suggesting how the province of Quebec was getting the shaft in Confederation. I would invite the previous speaker from the Bloc to go beyond equalization payments. I can assure her there is a lot more to Canada and a lot more to equalization payments than sharing in the national wealth. It has to do with Canadians sharing in the entire cultural life of the country, sharing in its full experiences. That is what Canada is all about. It is not just raw numbers and raw figures as the Bloc suggests. I would invite these people to look beyond these narrow figures, which I suggest are placed in a context that really makes for a bogus argument, a bogus presentation.

(1605)

I would also say this. Yes, all of us are ignorant. One would think after listening to the Bloc that the only thing Quebecers are concerned about is how they are being shafted in Confederation and their preoccupations with the Constitution. I do not pretend to be an expert on Quebec but I know there is much more to that province and certainly much more to Quebecers than any concern about the Constitution and certain financial arrangements.

I would also say the same thing about people who come from the other nine provinces. We do not know enough about Quebec. We ought to learn a lot more.

I really appreciated the comments of the member for Broadview—Greenwood. We can do a much better job of telling the Canadian story. I have always been a critic of the CBC, even though I worked there for 18 years. In a way the CBC enforces or perpetuates the two solitudes. We have an English language network and a French language network and neither comes together which is very unfortunate.

I would like to see many more exchanges, French language programs appearing on the English television network and vice versa—

[*Translation*]

The Acting Speaker (Mrs. Maheu): I am sorry but time has run out.

Mr. Crête: Madam Speaker, I rise on a point of order. Would the House allow the hon. member for Rimouski—Témiscouata to reply to the hon. member?

The Acting Speaker (Mrs. Maheu): Unanimous consent from the House would be required to allow the hon. member to answer.

[*English*]

We need unanimous consent to permit a response from the hon. member for Rimouski—Témiscouata. We are a minute over our time.

Mr. Keyes: Madam Speaker, I rise on a point of order. I believe you will find that the next speaker may be the member for Winnipeg—St. James.

The Acting Speaker (Mrs. Maheu): Thank you, but I still do not have unanimous consent for the member to continue.

Mr. John Harvard (Winnipeg St. James): Madam Speaker, I was not expecting to speak at this time, but I certainly welcome the opportunity to talk about the equalization program.

As I said yesterday, the equalization program as we know it embodies some of the great ideals and great values of Canadians. I cannot think of a much greater ideal under our democracy than sharing one's wealth, sharing one's resources. It is an ideal and a value that all of us cherish. It recognizes that there are those provinces and those people who perhaps have it a little better than others. It may not always be that way.

It had been my experience that the province of Ontario was the fat cat province. We always looked on Ontario as rich, with plenty of people, the home of manufacturing, the leading province, certainly the leading English speaking province. We expected Ontarians to share some of that wealth with the rest of Canadians. It was always very laudatory on the part of Ontarians that they wanted to do that. They wanted to share their resources and their wealth.

(1610)

In the last three or four years things have not been going so well for Ontario. In relative terms it is still a rich province but it has not been doing as well as in the 1940s, the 1950s, the 1960s and the 1970s. At certain periods of our national life some provinces contribute to other provinces that are not doing so well. That is why I am a very strong supporter of equalization and of this equalization program.

It was pointed out by one of the Reform speakers yesterday, and I appreciated his comments, that the proposal put forward in the bill by the finance minister gives the program an element of certainty. We are going to know for the next five years what this program is all about. We may not be totally happy with the floor

or the ceiling that is set but as least we know for the next five years where we are going with respect to equalization payments. Right now it is in the \$8 billion range and the projections under the five-year figures put it at about \$10 billion.

Let me say one other thing as I talk about equalization and this element of caring and sharing under it. There are others in our society that could learn a lot from the government about equalization.

What comes to mind is the National Hockey League. We know there are a number of NHL cities in the country that are scared to death they will lose their NHL franchises. The city of Winnipeg where I come from is one. Even though Edmonton has won five Stanley Cups and in the last 15 years has been one of the most prosperous and talented teams in the NHL there is even concern about the Edmonton Oilers moving. In fact Mr. Pocklington who owns the team has been trying for more than a year to move it. I do not think Quebec City is in a much different situation.

What I am getting to is that the NHL does not have equalization. I suspect the NHL is run by a bunch of right wingers who believe in dog eat dog, everybody for himself and take whatever you can. That is what they have been doing. But it certainly works against the best interests of smaller cities. There is no doubt that if the NHL does not deal with this problem, if it does not put a cap on players' salaries or if the NHL does not deal with some of the financial problems, smaller cities like Winnipeg, Edmonton, Calgary and Quebec City will not be able to keep that financial pace. They will ultimately lose out and those franchises will move to larger markets in the United States.

I bring this up only because there are others in Canada who can learn a lesson from equalization. I cannot imagine this Canada without equalization. I cannot imagine not helping the province of Newfoundland, or the province of New Brunswick, or my home province of Manitoba.

My province geographically speaking is smack dab in the middle of the country but we are in terms of wealth a have less province. I do not say have not. I do not like that term. I say have less. However, thanks to equalization and other transfer payments of one kind or another, Manitobans can expect a certain standard of living, a certain standard of services thanks to a vision that our forefathers had a long time ago. I am very proud of that.

(1615)

In conclusion, I want to say that I am very glad the government has re-enunciated its commitment to equalization. We know where we are going for the next five years. It is very important. We have heard this from a number of government agencies, not only from provinces. They want to know where we

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are taking them. They want to know where they stand. I think that is very reasonable.

I support Bill C-3 and I hope we can move forward with it very quickly.

Mr. Stephen Harper (Calgary West): Madam Speaker, I thank the hon. member for Winnipeg St. James for his comments.

The hon. member made a terrible mistake. He discussed hockey in the middle of a political speech. Whenever we do that we run the risk that the conversation will quickly turn away from politics and stay strictly with hockey.

The NHL has a form of equalization. It has the annual draft which has the effect of redirecting players to teams that perform poorly and I should add, redirecting players away from the areas of the NHL to some of the smaller urban centres in Canada that produce a lot of the hockey talent. Arguably there is a form of equalization that is overequalization and quite detrimental in that case to our interests. It is somewhat like what the member for Lethbridge alluded to yesterday when he talked about overequalization in some of our programs here.

I would just like to ask the member for his comments on one question. I am curious about his perspective. Under equalization levels for this year, 1994-95, the per capita top up for the province of Manitoba is \$849 and for the province of Saskatchewan \$552, his province and the neighbouring province. This is a tremendous difference. I have looked at statistics from Statistics Canada and I see that Saskatchewan residents have a lower personal income per capita than Manitoba. This seems to me to be a bizarre result and one that is in favour of his province.

Does he think there are problems in the formula? Maybe some time down the road we should study the formula and come up with a more fair one that is easier for people to understand and a little more clear in the kinds of results it produces. I would be interested in his views on some of the particulars of the equalization program.

Mr. Harvard: Madam Speaker, I appreciate the comments of my hon. friend from Calgary West. I am glad he supports the principle of equalization. I did overlook the matter of drafting in the NHL. However when it comes to straight financial arrangements there is no equalization.

With respect to Manitoba's share under the equalization program, my good friend from Calgary is suggesting that perhaps Manitoba is not treated as well as Saskatchewan. I am not prepared to give an evaluation right here and now about that. Earlier today in question period the Prime Minister pointed out that this is a very complicated formula.

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I would like to say this to my friend from Calgary. I do not think that equalization can be all things to all people. It cannot be the panacea or the answer for every fiscal problem faced by the federal government or by the provinces.

(1620)

I would just point out one thing to my hon. friend. When it comes to western stabilization or the famous Crow rate, western farmers share in that program to the tune of \$700 million, somewhere in that neighbourhood.

That is a program for western farmers. We are all in favour of it. As far as I know, people in Newfoundland do not share in it. People in Nova Scotia do not share in it and so it goes. People in Quebec do not share in it.

What I am getting at is that while perhaps equalization does not take care of every difficulty that we have in this Confederation, we do have other programs. If the speaker is asking whether we should not revisit the formula that is used under equalization, no, I would not bury my head in the sand. If that is what he is asking it is fine and dandy with me.

[Translation]

Mrs. Suzanne Tremblay (Rimouski—Témiscouata): Madam Speaker, I want to thank and congratulate the hon. member for Winnipeg for his speech on hockey—it is my favourite topic—but we will now move on to something more important. I found out that he worked for the CBC, which is my other topic. This honourable organization did such a good job that the two solitudes have grown further apart with each passing year.

This afternoon, the Prime Minister reminded us that somebody else had his head in the sand; the hon. member just told us that he does not have his head in the sand. I must conclude that this government is going from coast to coast in a submarine to hide from reality in this country. This country is two countries. That is what we have been trying to say since we came here, and we must stop suppressing this reality. There are two countries: Canada and Quebec. We came here to speak for Quebec and to defend its interests. In addition we were presented with Official Opposition status on a silver platter. We will also look after Canada because we want the country to be in good shape when we leave. We do not want a heavier debt burden and we want our share of a country that can stand up. We do not want to leave in a wheelchair.

[English]

Mr. Harvard: Madam Speaker, all I want to say is that the Bloc suffers from double vision and I suggest it should see a doctor.

[Translation]

Mr. Laurent Lavigne (Beauharnois—Salaberry): Madam Speaker, I listened closely to the previous speaker. He criticizes

Bloc members, and the province of Quebec, for focusing on money and on how poor we are and how we do not get our fair share of the equalization pie. But if this gentleman paid us a visit, he would see the effects of not getting our fair share of equalization payments for research and development and regional development. What is the outcome? Unemployment.

Let him go and tell Quebecers on unemployment or welfare what a great and beautiful country Canada is. When one is hungry, unemployed or dependent on welfare, one does not care much about this great and beautiful Canada. That is why equalization transfers are important. We must get our piece of the pie.

Quebec hands over to Canada over \$28 billion a year in taxes, but we are left with the crumbs. This has drastic consequences in the daily lives of the people of our country, which is Quebec. That is why we are not afraid to claim what Quebec is entitled to.

We are not indifferent to the Canadian deficit and \$500 billion debt, as it has daily consequences for all people living in this country. Speeches such as the one delivered earlier should not be allowed.

[English]

Mr. Harvard: Madam Speaker, of course we have serious problems in the country, including the good province of Quebec. I would not suggest for a moment that we overlook some of the serious human problems that arise from unemployment and other difficulties we have in the economy.

(1625)

All I was trying to suggest in my earlier remarks was that one cannot measure this great country, this Confederation, in financial terms alone. There is a lot more to this country than raw data, raw figures and raw numbers. The Bloc is rather myopic in this and perhaps cannot see through the barrier that it has placed in front of it, but if it would try to evaluate this country in a more wholesome way and take into account all the elements that make up the country it would come to a much more positive assessment of Canada.

Mr. Herb Grubel (Capilano—Howe Sound): Madam Speaker, the Reform Party supports the principle of Bill C-3 as was noted by the two Reformers who spoke on the subject before me. Reformers, as well my constituents, believe that it is important to preserve and cultivate the humanitarian instincts of Canadians that drive us to want to help those who find themselves in financial or other difficulties.

My two colleagues have noted two criticisms of Bill C-3. One is its planned increases in the level of transfers while the government is beset by very serious financial problems. All spending needs to be curtailed. Interprovincial equalization payments ought not to be exempted.

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The second criticism was that the government has been carrying the principle of equalization too far. If Bill C-3 does what it is designed to do there is no need to use other spending programs to favour provinces with low income and taxation capacity.

These two objections to Bill C-3 are valid. I would like to add an additional one which involves the very nature of the equalization program as it functions now. My criticism is based on my academic research and understanding of the problems which are caused by subsidy programs of all sorts. It is also based on messages which I have received from my constituents.

Finally I should note that the criticism is based on the same kind of reasoning which underlies the recently announced government review of all social programs in Canada. These programs have failed to deliver on the promise which underlies their design. They have blunted incentives, increased unemployment, trapped people in poverty and made them dependent upon government support. These are almost identical words to those used by the Minister of Human Resources Development in the House.

In addition, the programs, not the innocent victims who have reacted to the incentives created by the government, have contributed much to the present fiscal crisis of the country. I believe the compassionate people of Canada are fully in favour of helping others who have fallen on hard times. However, many Canadians have told me they also insist their aid be conditional upon efforts being made by the unfortunate to change their own lot. Some, like those with permanent handicaps, cannot and are not expected to do so. For those the support is happily given on a permanent basis. For others, however, the aid must be limited and conditional.

It is well known that the interprovincial system of equalization payments was designed to create greater equality. However, when the program was designed it was hoped that such transfers would be temporary because the federal government simultaneously started a substantial program for regional economic development.

Since the beginning, regional economic development programs have been beset by difficulties. There have been experiments with a variety of models and with locating responsibility for their administration in different ministries.

During the 1980s I was the academic director of a research project on the Canadian service industries undertaken by the Fraser Institute and financed by what was then the department of regional industrial expansion. One of the prime motives for the study had been the realization that the spending of billions of dollars on infrastructure and megaprojects, as well as direct

subsidies to industry, had not narrowed the income gaps between the have and the have not provinces.

(1630)

The fact that over 70 per cent of all Canadians are working in the service sector had awakened interest in the possibility that perhaps more development per dollar could be obtained by support of service industry projects than the traditional investment in structures and machinery.

I mention this study of the service industries to illustrate the problems which regional development programs have encountered, problems which in the view of many have been so severe they made the programs an almost complete failure. The reasons for this failure are quite clear now.

Historically regional disparities in income in Canada and all industrial countries of the world were due to different endowments with natural resources. The maritimes enjoyed one of the highest levels of income in Canada at a time when rich fisheries and coal were the primary base of the income of people and regions. Later the fertile plains of the prairies gave that region one of the highest incomes in the country.

For at least the last 70 years, however, the wealth of nations has been increasingly based on the accumulation of human and knowledge capital rather than natural resources.

Just look at the per capita income of Singapore and Hong Kong, tiny geographic regions with zero natural resources. Singapore does not even have enough water for its people. Some estimates suggest that as much as 60 per cent to 70 per cent of the wealth of modern industrial states consists of such intangible human and knowledge capital.

Unfortunately for regional development prospects, human and knowledge capital are most productive only in large population centres, where the so-called agglomeration economies generate the high productivity that underlies high personal incomes. In these centres, the proximity of people lowers transportation and communication costs, allows increased specialization and creates other productivity increasing benefits like competition in markets for labour and goods and services.

For this reason, in Canada and all industrial countries, megacities with high population densities have the highest incomes and outlying areas are further behind the more remote they are from the urban centres.

According to this view of the role of human and knowledge capital and the economics of agglomeration, the solution to regional income inequalities lies in the movement of people from outlying areas to the centre. Such movement, which in Canada until the 1960s had been gradual and low cost, permitted higher incomes to be earned by the migrants and, more important, it raised the income of those remaining behind.

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Just imagine incomes in the fishing industries in the maritimes or the farm sector in the prairies if the population of these regions were perhaps half its present level. The adoption of the best production technology, regardless of the effect on employment, would permit the smaller number of workers in these industries to enjoy higher levels of productivity and income. No one knows at what population levels emigration would have ceased. It is clear that eventually it would have equalized incomes in the centres and outlying regions, where income is broadly defined to include such intangibles as the quality of rural life and the cost of congestion in cities.

The tragedy of many post-war government policies for Canada was that they disregarded the decreasing role of natural resource wealth in the increasing role of human capital and cities in economic development.

The income equalization program being extended by Bill C-3, the regional development programs and the payment of unemployment insurance benefits to workers in seasonal industries like fishing have severely retarded outward migration from remote regions with low incomes. The natural adjustment which market forces were generating gradually were short-circuited by these policies.

(1635)

The policies undoubtedly were well intentioned but basically flawed, unfortunately. They have had several unfortunate effects. To finance the transfers and fruitless development efforts in the outlying regions the productive areas had to be taxed more heavily. Extra payroll taxes going to the unemployment insurance funds have raised labour costs and discouraged employment.

The disincentive effects of such taxation on investment, work and risk taking retarded the growth in the entire country's income and wealth. The lower rates of economic growth which started more or less with the initiation of these regional assistance programs in turn retarded the increase in government tax revenue. They therefore contributed significantly to the financial crisis and the need for the redesign of social programs that will be discussed in the House in upcoming months.

Equally unfortunate has been the impact of the policies on the people in the outlying regions. I find it most distressing to see videos of workers in the maritime fishing industries and of farmers in the prairies who have lost their jobs and are afraid of losing their homes and possessions. Perhaps more important, as the Prime Minister kept noting during the election campaign, these people have lost their dignity. They have become dependent upon government handouts, the generosity of the House.

The predicament which these people find themselves in is not of their own making. They are the victims who simply have acted rationally in their response to the incentives created by government policies.

These people deserve better. They deserve that the government and this House initiate a review of the existing programs for regional assistance and development. The government has already announced plans for a major review and redesign of social programs affecting individuals. Regional assistance and development programs should be included explicitly in such a review.

I have my own views on the insights which such a review might produce. Abstracting from all political considerations, Canada needs to restore market incentives for migration, the only fundamental and lasting solution to the problem of regional inequalities that does not also create dependence and a loss of dignity. To create these incentives all present forms of regional transfers must be phased out. Such phasing out should be gradual but certain.

In place of current programs we need to have programs that are both economically efficient as well as consistent with the compassionate nature of Canadian society. Financial transfers to regions and provincial governments must be limited to situations where incomes are reduced to events beyond the control of those affected.

Outstanding examples are the disappearance of fish stocks, bad harvests or low world prices for certain products. The payments must be limited to the duration of temporary adverse influences on incomes. In the case where incomes are lowered by permanent changes in conditions, financial support must be conditional upon the adoption of policies that bring about real adjustment to the new environment.

People who are asked to make payments to help others should have a right in deciding on how this money is being spent. Many people believe the proposed characteristics of regional assistance programs must also be incorporated into social programs serving individual Canadians if the country ever wishes to restore the government's fiscal health and at the same time maintain a sound social security net for those in genuine need. They also agree that the sooner such a review is accomplished and acted upon, the better.

For these reasons I recommend that the government append Bill C-3 to mandate such a review. In addition I recommend that the government send a message to the recipients of the equalization payments suggesting that future transfers will be made conditional upon real adjustment needed to equalize regional productivity and income.

(1640)

Mr. Ronald J. Duhamel (Parliamentary Secretary to Minister of Public Works and Government Services): Madam Speaker, I enjoyed my colleague's presentation in the sense that he had obviously thought very carefully about what he was going to say. Clearly what he has said reflects the fact that he studied it for some time. Although we may have some differen-

ces on how this major problem he has underlined might be approached, I respect what was said.

What bothers me certainly is not the approach he has taken or the content of the address. But today there were two remarks made by members of the Reform Party which bothered me a great deal.

Looking at the transfer payments it is correct that Quebec gets 47 per cent of the transfer payments, but there is the additional bit of information that Quebec represents roughly 60 per cent of the people who get transfer payments.

I am wondering why his party would want to give the impression, which I got and I am not from Quebec, that Quebec was being favoured. We heard from Quebecers today, our friends the separatists—some of them are friends—who feel they are not getting enough.

Another thing that bothers me is there seemed to be a suggestion that Manitoba was being favoured by this formula. I am from Manitoba. If that was the suggestion I am offended, unless I can be clearly shown that it is true.

Now correct me if I am wrong. I am one of those members of Parliament who accepts the fact that he could be wrong. It seems to me that yesterday one of the hon. member's colleagues said the Reform Party would reduce the amount of transfer payments. If so, by how much and what would be the impact on Saskatchewan and my home province of Manitoba?

Mr. Grubel: Madam Speaker, I welcome the opportunity to respond to some of the points the hon. member has made. I do not obviously know all the reasoning behind the statements made by my colleagues, but I can attempt to give an answer.

The people of my riding are reacting to the fact that a province like Manitoba which according to Statistics Canada has a higher per capita income than Saskatchewan receives more per capita in transfers than Saskatchewan. This simply does not make any sense to people who are no experts in this complicated formula the Prime Minister referred to.

Using the same idea with respect to Quebec, 47 per cent of the benefits are going to Quebec. It has 60 per cent of the population. I am sure the hon. member would like to look at the statistics in light of the per capita income. The per capita incomes of that 40 per cent of the population receiving transfers is way below those of Quebec.

This has to be seen in the light of the complicated formula but also using some intuition. The income of Quebec is only fractionally below that of the average. That is why it is receiving this money. The statement about 47 per cent of the total transfer going to Quebec was not made in any disparaging way. It was made, as far as I remember, in response to a challenge that Quebec is not benefiting from this program.

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My constituents certainly are asking why a province with such a high income is receiving 47 per cent, even though it has 60 per cent. This is the formula but I am returning to the point that the hon. member had made on how difficult all this is to understand.

(1645)

I apologize about the third point that somebody said transfer payments should be reduced. I do not know who said that and in what context. I do not really wish to presume that I could answer that question for the hon. member.

[*Translation*]

Mr. Pierre de Savoye (Portneuf): Madam Speaker, I appreciated the hon. member's presentation, but I am particularly puzzled by some points in it. First, he says that if transfer payments had not been so high, people would have emigrated because of the lower payments. Perhaps they would have tried something else and found new resources where they were to ensure their economic vitality.

Also, I would point out that if Quebec receives transfer and equalization payments, the total it receives from Ottawa is the same as what it sends to Ottawa, about \$28 billion. Unfortunately the money comes back in the form of transfer and equalization payments, when it could come back as normal federal spending, such as Ontario receives.

Thus Quebec wants to break free from this system. Many times we proposed the way to do it. Perhaps that could satisfy our member of the Reform Party. Does he have an opinion on that?

[*English*]

Mr. Grubel: Madam Speaker, I am pleased to hear probably for the 15th time now that hon. members from the Bloc are insisting that we hear repeatedly the story that Quebec is getting a raw deal in the extent to which it is sending money to Ottawa and the extent to which it is receiving money. I really have no more comment to make on this. It is a very complicated issue and that is why there is a dispute over the merit of this case.

However on the substance of what I tried to say, I would point out that if in the 1960s we had not retarded the incentive for outward migration from some of the outward lying regions of Canada, the process which had gone on for the preceding 50 or 60 years would have continued.

The hon. member is an economist and realizes there would have been increased capital per worker and increased natural resources per worker remaining behind. Therefore the incomes would have gone up. Maybe more resources would have been discovered. Then outward migration would have slowed down. In the end we would have had a solution making everyone happy, those who were moving as well as those remaining behind.

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We have destroyed this welfare maximizing process through our programs and I urge that they be re-examined.

[Translation]

Mr. Benoît Serré (Timiskaming—French River): Madam Speaker, I would first of all like to thank the member for Capilano—Howe Sound for his comments. However, I must tell you that I do not share his opinions. To avoid any confusion, I would say to the hon. member that, although I am seated on this side of the House and speak French, I am not a Bloc Québécois member. I am one of the millions of francophones outside Quebec who consider Canada, including Quebec, as their country.

Nevertheless, Madam Speaker, I have one thing in common with my colleague here from the Bloc; like him, I am puzzled too. From the beginning, since this House opened, I have heard the Reform Party with its far-right agenda telling us that we should not spend money to help the regions, we should not subsidize small business. Implicit in that is that people are poor through their own fault, because they want to be poor.

I also deplore the debate on equalization turning into a battle between Quebec and the rest of Canada. Very little is said about the other provinces like New Brunswick and Newfoundland. I think that the equalization program is unique; it helps define us as Canadians.

(1650)

It is a program whereby the richer regions help the less well-off regions. I am from northern Ontario and I can tell you that our unemployment rate is probably higher than anywhere in Quebec. In some regions like Kirkland Lake, for example, it is 40 per cent.

That being said, I do not care whether my money is used to help people in Quebec, New Brunswick or Newfoundland. That is what Canada is all about.

In the morning, the people in the Reform Party tell us that we absolutely must keep small rural post offices open, and I agree with that because it is a kind of regional development. We can keep our small post offices open because people elsewhere in the country subsidize them and I fully agree with that.

What I do not understand is that in the morning, they ask us to do it, but in the afternoon, they tell us to cancel these programs. I would like to know what the Reform Party really wants on this.

[English]

The Acting Speaker (Mrs. Maheu): Unfortunately the period allocated to questions and comments has terminated. We will have to continue debate.

Mr. Ron MacDonald (Dartmouth): Madam Speaker, the debate that is going on today is important. It actually strikes at the very heart of what type of country we live in.

Many times we engage in debate that has a very narrow interest across the country. This one certainly has not. I have indicated at other times when I have spoken in the House, specifically in opposition, that we have grown differently. We are a different state than our neighbours to the south and we are a different state than our two founding nations, both Britain and France.

We have decided to do something a little different. We are unique. We have believed as a nation—it is a founding principle of our nation—that there is some sort of collective ownership of the resource that is Canada.

We have structured programs through successive governments and have said that we believe in this great nation, Canada, which maybe one day has a disparity in the east, in Quebec or the west, that somehow governments have a responsibility to commit themselves to free market enterprise but at the same point in time to ensure that there is a redistribution of wealth in this great country.

Indeed I can go back to the time of Confederation. Atlantic Canada at that point in time was a have region in this country. It was one of the wealthiest. Some would say that we have never looked up since we joined Confederation. Some others would say that perhaps in the short history of this country—we are not an old country—these cycles perhaps are very small.

During the course of our short history we have believed that central governments have a responsibility to redistribute wealth in this country. We believe fundamentally with regard to those who because of the exploitation of a natural resource or certain trading patterns or routes exhibit great growth and personal wealth, employment and tax revenue that somehow there is a responsibility of government to redistribute that wealth.

We have formalized that in our Constitution. We have federal legislation that is called equalization. The equalization payments are the most visible sign of that fundamental principle of sharing and collective ownership of resource in this country that the federal government does.

Under equalization, the federal government has transferred some of the taxes that it takes to the less fortunate provinces to try to ensure that those provinces have the resources necessary to offer programs that their citizens deserve, indeed demand, programs of national standards so that within this great country we do not have very different applications of our economies.

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It has worked very well. Indeed I hear sometimes from the province of Quebec, from some of the members who are here from the Bloc, that Quebec has been shortchanged.

That is up to debate. Sometimes in Atlantic Canada we believe that we have been shortchanged and that it is not just simply a matter of always wanting equalization. Perhaps it is a matter of fundamental government policies that allows each region of this country to develop its resources and its labour market so that some day we can all be contributors to the national economy instead of takers from the equalization pot.

Sometimes we are fighting over scraps. I would much rather see policies enacted by provincial governments that allow for the freer movement of goods and services and people, that allows for various regions of this country to develop their economies so that the people can develop to the fullness of their potential. That day is not yet upon us. Equalization is indeed important. I remember just a few years ago in this place when the government of the day was different. It was the Conservative Party, which is now down to two members in this place. That government saw the the role of the federal government in redistributing wealth a little differently. Every penny it could save, every dollar of its own debt it could transfer to the provinces it saw as a victory. Then hopefully it could go the public and say: "Look how well the economy has been managed". Through the restraints it put on equalization, through its interpretation of some of the clauses we saw the numbers of dollars that the provinces expected to get from the federal government jump wildly.

(1655)

I think it was three years ago that I rose in my place and questioned the Minister of Finance and the Prime Minister because that small, beautiful province of Prince Edward Island, whose minister of finance was preparing a budget, was given information by the federal government of the day that it could expect so many dollars in equalization under the formula for the previous year. At the last moment, two days before he tabled his budget in the P.E.I. legislature, the federal finance officials called and said: "Sorry, we have reinterpreted some of the provisions and now you are going to get millions of dollars less in equalization".

What did that do to little Prince Edward Island? The treasurer was going to be reporting a surplus in his budget. Can you imagine a surplus in this day and age? That surplus was turned into a deficit.

In my province of Nova Scotia the minister of finance, a Tory at the time, and I guess they did not even talk among themselves because he was caught quite unaware, found out he was going to get \$72 million less. The province had already spent the money.

Therefore, there was a pressing need from the provincial finance ministers and treasuries to put some order into what they could reasonably expect to receive from the federal government.

This bill puts some order in it. It is a five year plan wherein we tell the provinces: "We cannot give you everything you might want, but we are going to give you some certainty. We will tell you what our plan is and we will guarantee that we will not deviate from that plan in a way that negatively impacts on your fiscal ability to conduct your affairs in your own province". That is a plus. I do not think there is a premier of any of the seven provinces that receive equalization who would not get up an applaud this very positive measure.

There is another area that the bill does not address but it is equally important, called the EPF, established programs financing. These are programs that the federal government gets into to again try to equalize opportunity around the country. These are programs that fund our health care system in Canada and fund post-secondary education.

I told one of my colleagues from the Reform Party who called me a socialist Liberal, the other day—I thank you for the compliment by the way—that if it was not for EPF to the provinces across Canada that as the son of a coal miner from Cape Breton who not through any fault of his own but because of the working conditions of the day saw more pay days than he saw pay cheques, I would not have been able to afford to go to university. In some of the poorest provinces if it was not for the established programs financing, the EPF, we would have different systems of health care right across this country.

Those Liberal policies of days gone by just like equalization were corrupted by the previous administration. The result was that provinces that had programs of national standard dictated primarily by the federal government, as in health care, found in every single year, in every federal Tory budget that came into this place that they could expect less and less.

In a place like Newfoundland if you receive \$12 million less for post-secondary education where in the name of goodness are you going to pick that up on your limited tax base in that province? In a place like Nova Scotia, Saskatchewan, Manitoba or Quebec, when a federal government unilaterally cuts because it has mismanaged the economy like the Tories did and says that it is not going to be participating at the same level as it did last year, tell me where those provinces pick it up. They do not.

One thing we said during our campaign and the Prime Minister has also said we will work on is once again to put some certainty into the levels of EPF, establish programs financing. We cannot give them everything. We have a huge deficit and a huge debt but we will put some certainty so that ministers of health and ministers responsible for post-secondary education in each of our provinces will be able to sit down and with some

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certainly know that they are not going to get the royal shaft in the next federal budget that comes down from the federal government. That is exactly what we need.

(1700)

I want to give some statistics. I am not going to criticize members of the Bloc Québécois for their political beliefs. That is what freedom of expression is all about in the democratic process. We will have great and hopefully historic debates in this place about the issues they wish to put forward. However the reality is that many of the fractures we currently see in our country are recent ones. They can be traced back to a sense of not being listened to, a sense of betrayal by many regions of the country in their dealings with the federal government.

The province I come from does not want handouts. I would desperately love to stand in this House some day and complain that we are getting too much money and that it should go somewhere else.

My role as a member of Parliament is not just to represent and try to build a strong Nova Scotia. It is to try to better Canada. It is to try to ensure that we pass policies and programs which allow each and every one of our citizens, no matter who they are, no matter what their language, no matter where they come from, whether they are native born or immigrant, to participate to the fullness of their potential in this great country. That is what we are all here for.

Over the last number of years we have seen the erosion of the regime where we did transfer and did believe in collective ownership of the resources and riches of Canada. I want to give some sense as to why we are seeing fractures in the east and maybe in Quebec, but certainly in the west. They say that federal governments have not listened to them.

The federal Conservative government, in a number of successive budgets, possibly three or four, changed the established programs financing formula which is another form of equalization. It said it would participate on increases using the consumer price index, CPI minus one, CPI minus two, CPI minus three. What did that mean?

To a province like Nova Scotia it meant that if health care costs went up by 5 per cent the federal government no longer was giving out 50 cents on the dollar on that increase. The benchmark if it was the previous year was 50:50, but any increase over that would only be cost shared on a formula that said cost is consumer price index minus 3 per cent.

If the consumer price index was 5 per cent and the health care costs went up by 5 per cent there was not full sharing on that 5 per cent. Full sharing was received on 2 per cent which meant that the poorest provinces had to find within their limited tax

bases a way to fully recover the 3 per cent increase. It was 100 per cent on those dollars, no 50-cent dollars.

What has it meant? It means under the old formula the province of Quebec will be the first province to no longer see a transfer in cash for hospital expenditures. It will be the first. It means that over the course of its 10-year program in health care alone the federal government had withdrawn on full funding 50:50, to the tune of \$29.998 billion. In 1989-90 as a result of the government's formula where it rejigged what participation meant, it meant that the health care system in the provinces lost \$1.107 billion.

What does one do in British Columbia? It is hard enough to deal with that if it is a so-called have province such as Ontario, which is not really a have any more because of the New Democratic government and its policies. But Alberta and British Columbia are finding it tough enough. What about the economies where there is deep recession and even depression?

What about education? As a result of this rejigging of EPF, this fundamental tenet of Canadian federal-provincial relations, in post-secondary education, during a 10-year period the Conservative policies will have cost \$12.109 billion out of federal government participation on post-secondary education.

What does that mean? It means in the poorest provinces, the smallest provinces we have already started to create a society where it does matter where one lives and it does matter what one's tax base is, because the province of Nova Scotia has now seen transferred over nine years of Tory government a huge amount of the federal mismanaged debt. It is down sitting on its desk now. The same can be said for Newfoundland, Quebec, Manitoba and Saskatchewan. That is what it has done. Therefore the pressures on us now have been caused by intentional fiscal policies.

(1705)

I do not think we can right all the wrongs of the past and I am not suggesting for one second that we could. I wish we could, but I do not think we can. What we can do is work with the provinces. We can tell them we are not going to give them the shaft every time they turn around at budget time. We are prepared to sit down and work with them. We understand that a dollar saved at the federal level by reducing transfers for these necessary programs is not really a dollar saved when looking at the impact on these smaller provinces.

I do not know what the Minister of Finance will come down with but I know our government will uphold the commitment it made to Canadians and to the premiers during the election campaign. We will not do what the previous government did and come in and lay waste to the equalization programs and established programs financing.

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I do not think there is an issue that grips Canadians more today than whether or not our health care system can survive. There is a funding crisis and a utilization crisis in our health care system. Surely the way we deal with that is not to continue with the policies of the past government. We must deal with it co-operatively and recognize that the federal government got us into these programs and the federal government cannot be allowed to abandon them.

We also believe in fiscal responsibility. We have to look at the finances of Canada not just at the finances of the federal government. The finances of our provinces, the territories and our municipalities all impact on whether or not we are able to grow and prosper or whether or not we will be weighed down by debt. Our federal government has indicated it is prepared to deal with that.

In every one of the economic policies we pursue as a government, no matter how scary the deficit might be, no matter how many special interest groups may scream, whine and threaten, we will always, always, always make those economic decisions based on the impact on every average Canadian. That is different. That should give some hope to the unemployed. It should give some hope to the people in the poorest regions. It should give hope to some of the have not people in the have provinces who need training, who need to be put back to work, who want to be taxpayers instead of tax takers.

We may debate whether or not it is enough, but this is an initiative that stops the slide of federal dollars into the provinces. This initiative sends out a signal and a sign to the provinces that there is a new gang in town. This is a new Parliament. We are prepared to work with each and every one of the provinces to ensure that the priorities of Canadians are expressed and fulfilled not just by the federal government but by our provincial legislatures as well.

I applaud the government but I also let it know there are some on this side of the House, now that we are government, who still believe we have a fundamental responsibility to stand and speak for the people who elected us. To date the ministers seem to have listened. I know the Prime Minister has.

I know that many on this side of the House and on the other side as well will be vigilant in ensuring the government fulfils the commitments we have all collectively made to our constituents.

[*Translation*]

Mr. Pierre de Savoye (Portneuf): Madam Speaker, I greatly appreciated the presentation by the hon. member of the government party. I think he painted an interesting picture of the crisis in which the previous government had plunged the country for nine years, I would, however, like to have his reaction to or views on some of my concerns which he touched on.

Earlier on, we had the opportunity to discuss transfer payments. At that time, I expressed a number of reservations and received some answers.

Now we are looking at the issue of established programs financing. Regarding this matter, we know that if the trend continues, as the hon. member mentioned, then in a few years time, Quebec will no longer be receiving any funding at all. Eventually, a number of provinces would see their share also reduced to zero.

(1710)

In 1977 the federal government made a commitment to the provinces in the area of established programs financing. At the time the commitment was based on the formula that the hon. member mentioned a while ago. On the strength of this commitment, each province set up its own health care and post-secondary education programs.

Over the past ten years or so, the government has gradually reneged on its commitments. At the same time the taxpayers in each province must continue to pay their full share of taxes. The money that the taxpayer was giving to Ottawa was not being reinvested in his or her province, as the federal government and the provinces had agreed it would be in the late 1970s.

Could we not call this a misappropriation of funds? I will ask the hon. member to comment on this point in a few minutes. The fact remains that under the present circumstances, this approach would seem to be the safer bet. I would like to repeat what the hon. member said.

[*English*]

We want to put a certainty into the EPFs. We do not have that at this stage and have not had it for the past 10 years.

[*Translation*]

The best guarantee we could have that the provinces are receiving their fair share is if the taxpayers in each provinces remit directly to the province, and Quebecers to Quebec, the money which is now sent directly to Ottawa and which is not fully reinvested, and less and less in each provincial health care system.

I will conclude with a question for the hon. member. Does he not think that each province should have exclusive jurisdiction over health care?

[*English*]

Mr. MacDonald: Madam Speaker, the proposal the member puts forward certainly is debatable. I do not have the figures here for transfers to the province of Quebec. Looking at tax revenues going out and transfers going in, I would suspect that at least recently Quebec has not been hard done by, nor has Nova Scotia. At some point we will be net givers. I hope that at some point the province of Quebec will be a true have province according to the fiscal definitions.

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If the question is would it not be better if Nova Scotia just collected its own taxes and kept everything it collected, I would like someone to tell me how it is going to decide what 32 per cent of hospital beds should be shut down in that province. I would like somebody to explain which universities will have to close and how people with my type of background will be able to get a university education.

The reality is that not each province at any given point in time is able to pay its way on all these programs. Equalization is not there as a handout; it is supposed to be a hand up. It is supposed to allow the provinces, dealing strictly with equalization, to have enough resources to try to build the infrastructures within their economies so that they can be competitive. It is not meant to keep them in poverty; it is meant to try to take them out of poverty.

When dealing with established programs financing I would caution my colleague to be very careful. My understanding is that those provinces which get EPFs, at least the seven that get equalization, are getting more than what they would get if they just kept their own tax base.

The question is not whether it is better to be sovereign. The question is whether we can work together as a nation with all our component parts to ensure that if the principles are no longer valid then there will be a debate on it. If the principles of a universally funded health care system are not valid and assistance to post-secondary institutions is not valid then let us have a public debate on it, and not necessarily here.

Let the Canadian people speak. We would find that the people in the Gaspé, the people on the greater northern peninsula and the people from the plains of Saskatchewan might jump up and say: "What are you trying to do to our country?"

The question is not whether or not we should have these programs. The question is whether or not we are able to afford them and whether or not the federal government as the senior partner in Confederation is prepared to work with each individual province to ensure that these programs continue.

I want to speak about EPFs and health care in the province of Quebec. The government in Quebec has done some very neat things in dealing with trying to keep the escalating costs of health care from going through the roof. Other provinces should look to Quebec to see what it has done.

(1715)

I remember reading an article. One of the major costs of the escalation of health care is that every community has an out patient service and in order to properly staff an out patient service, look at the number of people on average coming through and determine how many doctors have to be there, what equipment has to be there, an anesthesiologist, a surgeon on duty, all of those things, and it is based on volume.

Some people say as many as 80 per cent of the visits to an emergency unit can be handled by a GP. They can be handled by a nurse or a nurse practitioner. Because we have become used to it being free perhaps it is over used. Perhaps it is abused.

The province of Quebec decided not to deny anybody health care but make alternate health care facilities available. If I were in Montreal and walked in needing stitching of a cut on my hand it would agree to do it but it would cost me a few dollars because it is not an emergency service. If I went across the road to the clinic I would be covered under the health care program.

That has saved the Quebec health care system tens of millions of dollars. There are efficiencies that we can look at. The federal government must lead in sharing these good examples as the province of Quebec has done.

I was in London, Ontario, at St. Joseph's Hospital, and London decided it had to better manage the health care budget it had in that hospital. It came in with a new management called total quality management, TQM. Within a year not only did it have better and happier staff in the hospitals, not only did it handle more people in a more efficient manner but it saved about 13 per cent of its budget. It was a large budget. It had not even intended when it set out to try to save money.

In health care, in post-secondary education, we have to lead the way. There are fewer dollars here. We have to lead the way in rationalization of services, both in the health care and in the post-secondary educational system.

I would leave my hon. colleague with this comment. I would ask him, and maybe he has figures to the contrary, to check with his party's research bureau to find out whether the province of Quebec, at this point at least, has a net output of taxes or a net input of taxes. If he could find that out I would be pleased again to debate the issue.

Mr. Jack Ramsay (Crowfoot): Madam Speaker, we have heard much about the transfer of wealth of Canada to the provinces.

If we look at our debt and our deficit and the borrowing we have to do we are not transferring the wealth of Canada, one might say, we are transferring the wealth of other countries we borrow from and the people of Canada from whom we have borrowed.

We have seen the Liberal government of past years plunge our country into a debt situation of approximately \$200 billion. We have seen the Conservative government more than double that in the last nine years until we are now sitting in a situation looking at a \$500 billion debt. We are plunging into debt by another \$40 billion approximately and we have paid interest on that debt of \$40 billion in the last year.

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I would like to ask the member, if he has time to respond to the question, if he feels we can continue in this way in view of the plunge into debt we have experienced over the last 20 years.

An hon. member: Is there unanimous consent to continue?

The Acting Speaker (Mrs. Maheu): I am sorry, time has expired.

[*Translation*]

Mr. Paul Crête (Kamouraska—Rivière-du-Loup): Madam Speaker, it is not an easy task to explain the equalization process so that our voters, the people of Canada can assess this thing, but I think that it is important that we do so. It is one of the responsibilities that fall upon us as politicians.

As a preamble, I would like to quote the statement the Minister of Finance made on January 21, 1994, when he unveiled the details about the renewal of the equalization program for five years.

(1720)

He said this: "This is a key program to reduce disparities between provinces in terms of their revenue raising capacity".

He also said: "I have indicated to my colleagues that I will proceed with this renewal in a financially responsible way, taking into account both the needs of the citizens in each province and the need for the seven provinces that receive equalization payments to enjoy the necessary stability for planning".

This is a little arid, but it is important to understand what this statement implied.

Equalization payments are calculated using a method prescribed by federal legislation which takes into consideration the overall capacity of each province as well as local governments to raise revenues through taxes and various dues. This includes personal income tax, corporate income tax, sale taxes in general, taxes on fuel, tobacco products and alcohol, fiscal levies on natural resources, property tax and many more not so far-reaching taxes.

Each year, the fiscal capacity of the provinces is compared on the basis of their individual estimated revenues if the same tax base and tax rate were applied in each case. This requires a standardized tax system known as representative tax system in which provincial governments' revenues are divided up based on 33 different revenue sources, each having a base representative of those actually used by the provinces. The size of the tax base is then calculated for each province and, using the average provincial tax rate from each source, the revenues of each province is calculated for each source separately and globally.

An hon. member: Very simple.

Mr. Crête: Very, very simple indeed.

The standard of equalization is the per capita revenues resulting from the application of the representative tax system in five provinces, namely Ontario, British Columbia, Saskatchewan, Quebec and Manitoba. In 1993-94, the standard was \$4,731. Together with equalization come floor or minimum payment level provisions protecting each recipient against a sudden annual drop in equalization payments.

Bill C-3 would renew the equalization program for another five years, from April 1, 1994 to March 31, 1999. The maximum payment level would be maintained at the 1992-93 level. Note that the Department of Finance plans to maintain this ceiling for the five years covered by the bill. This will limit the growth of the payments made to the provinces.

The Department of Finance also planning statutory changes to the tax bases used in the equalization formula. The complexity of the process hints at its inefficiency.

Bill C-3, An Act to amend the Federal-Provincial Fiscal Arrangements and Federal Post-Secondary Education and Health Contributions Act, can be considered from various angles.

First, one could wonder about the actual impact of the goals of this piece of legislation. Let us not forget that equalization was established to compensate a major shortcoming in the Canadian federal system, in which the federal government has the power to spend tax revenues without authority over provincial areas of jurisdiction.

Equalization was instituted in the federal system based on the proceedings of the Rowell-Sirois commission. Since then, equalization has prevented Canada from breaking up, but it has created negative effects of its own which, among other things, have contributed to the loss of faith of the people in the tax system governing them.

Not being able to establish a direct link between the government levying taxes and the one providing services makes it difficult for the Quebec and Canadian taxpayers to assess fully how each level of government is carrying out its responsibilities.

The main negative effect however has certainly been the introduction of a ceiling on the amount that can be paid to a so-called have not province. This ceiling thwarts the initial goal of equalization by widening the gap. Quebec will have to assume 60 per cent of the cut imposed on recipient provinces, solely because of this ceiling.

(1725)

Let us recall the basic objectives set by Quebec's finance minister as the basis for provincial transfer reform, in order to adjust to the financial and budget realities of the 1990s.

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These basic objectives are: to better balance government responsibilities against tax revenue; to improve the redistribution of wealth in Canada; and to enhance Canadian public sector efficiency.

Mr. Bourbeau, Quebec's finance minister, is known as a passionate federalist. But he went on to say: "I nevertheless find it difficult to accept that the federal government has decided to maintain the ceiling provision of the equalization program". The finance minister of Quebec and his critic in the National Assembly agree on this. Poorer provinces will, paradoxically, help to trim the federal deficit.

I think this provides compelling evidence that the federal system does not work. Only an extensive reform of the overall transfer program structure can correct the present situation.

This reform should be based on the following elements: no cuts in real terms and per capita to provincial transfer payments; no national standards incompatible with Quebec's specific situation; non-interference by the federal government in areas of provincial jurisdiction, which is a well-known cause of inefficiency. This reform must be aimed at a better redistribution of revenue among the provinces, particularly in terms of equalization payments. The equalization ceiling must be removed.

This bill clearly shows that Canada's Liberal government paid no attention whatsoever to the message delivered by the people of Quebec, who elected 54 members of the Bloc Québécois. Quebecers no longer want to be dependent on a system that encourages them to stay poor. The current system is an incentive to inefficiency.

In spite of all this, the federal government has decided to deal with equalization as if it were business as usual. If I were a member of the majority defending Canadian federalism, I would oppose maintaining the ceiling provision of the equalization program for the sake of equity within the Canadian federation. Unfortunately I did not hear many members opposite say the same thing.

But, as a member of Quebec's national community that has pursued self-sufficiency for 50 years, I know that maturity entails specific responsibilities and powers that will allow people to determine their government's effectiveness. Nevertheless, the removal of the ceiling is a cure the current system cannot do without.

To determine if the equalization system meets its objectives, we should check if it has corrected economic, social and cultural inequalities among the various parts of Canada since its implementation. Unfortunately, that is not the case. If you compare unemployment rates, the exodus of young people from various regions of Quebec in the last 20 to 30 years, the system is a failure as all indicators clearly show.

Furthermore, the imposition of a ceiling does not meet the objectives of the equalization program. This program makes it difficult for taxpayers to assess its effectiveness. That is one of the main reasons why voters distrust politicians like us as well as the process itself because Canadians cannot tell if the money they invest in taxes comes back to them in the form of adequate services. The people we pay our taxes to are not necessarily those who deliver services and I think this is an important shortcoming that should be addressed.

Taxes are collected by the federal government. The federal government then transfers the money to the provinces who, in turn, distribute it among their various programs, while the poor taxpayer must determine the effectiveness of this and that and find out what is going on.

All this to say that, by tabling Bill C-3, the government has demonstrated that it has set aside the real changes expected by Canadians. While waiting for a comprehensive reform package we are asking it to at least remove the ceiling.

(1730)

Mr. Ronald J. Duhamel (Parliamentary Secretary to Minister of Public Works and Government Services): Madam Speaker, I listened carefully to what was said by the hon. member, and I have a pretty straightforward question.

I also listened to what was said by the hon. member's colleagues, who had nothing constructive to say about the equalization program. They said it made Quebec poorer, that it was no help at all, and that it was clumsy and cumbersome and harmful. But could they not find anything positive to say about it? Nothing at all? Nothing.

Thank you, I don't think I need an answer after all.

The answer is clear. Now it will be up to Canadians and Quebecers to decide whether my question and the answer I got is right: the whole thing is no good.

Now that really sounds responsible. That sounds like a team that is going to make something of this province. Well, I am not impressed.

Mr. Crête: Madam Speaker, I would like to say to the hon. member—if he has children he will understand—that we have a situation where a group of people or a region is like a child that grows up. When Quebec entered Confederation, it was looking for some form of security, and it helped to found the Canadian Confederation.

As the years went by, it realized it had no control over the way the house in which it lived was run and that, once past adolescence, it was not treated as an adult. But at some point, you have to go from adolescence to adulthood.

Equalization gave Quebec a chance to survive at least for a couple years? We never said it did not. What we are saying is that the system undermines Quebec's desire to be autonomous.

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The equalization system treats us like children who have to be told what to do.

Quebec will no longer stand for being treated like this by societies other than its own.

We have taken charge of our economic development, especially since the sixties when we created instruments like the Caisse de dépôt et de placement, which we had to wrench from the federal government. Otherwise we would have no control over this area today. We nationalized electricity at the expense of outside authorities as well. Little by little, we reached the conclusion that we had to get out of this system.

I think that Quebecers, especially since 1968, have tried a lot of things: we tried a federal Liberal government, with 74 Liberal members, and we did not get what we wanted. We tried "le beau risque" with the Tories, and we did not get what we wanted. Now the people of Quebec have decided to clarify the situation with Canada, and that is our role here, as representatives of the Bloc Québécois, elected by 50 per cent of the population of Quebec.

[English]

Mr. Nelson Riis (Kamloops): Madam Speaker, I am pleased to participate in the debate on Bill C-3 at the second reading stage where we are called upon to discuss the principle of legislation. There will be ample opportunity in committee to examine some of the critical questions that members have raised, but here we are talking about the principle of Bill C-3, which refers to equalization as a concept.

I listened with interest while some people suggested they did not like the idea of equalization. To me this is somehow speaking against motherhood. It is fundamental. It is enshrined in our Constitution. It has been a Canadian way of life since 1867, formalized in 1957, where we formed the Canadian family.

We acknowledge that from time to time there are parts of Canada where economically things are thriving more than in other areas, but there has always been this generosity of spirit, this willingness to assist and co-operate. If province *x* seems to be doing better for the moment it will share some of its wealth and prosperity with some other parts of Canada that perhaps are not experiencing that same prosperity or wealth. This seems to me to be what Canada is all about.

(1735)

Essentially Bill C-3 extends the principle of equalization for another five years. We will be seeing the \$8.5 billion we will be spending in equalization payments this year go from the have to the have not provinces. It will expand over the years at about 5 per cent annually to reflect the realities of Canada. We feel that in principle this is something we endorse. When I say we I am referring to my colleagues as New Democrats. That is what we are talking about today, the principle of this legislation.

That does not mean we do not have some questions and some concerns that we want to raise, but I want to put it on the record because I know my constituents would like to know who is getting what. When the three have provinces of British Columbia, Alberta and Ontario decide to share their wealth with the rest of Canada it breaks down as follows: the Northwest Territories will receive about \$910 million; Prince Edward Island will receive \$164 million; Nova Scotia will receive \$880 million; New Brunswick will receive \$995 million; Manitoba will receive \$854 million; Saskatchewan will receive \$522 million, which I am sure my hon. colleague here will be pleased to hear; and Quebec will receive \$3.8 billion. It seems to me this is an equitable effort in distribution.

I listened with interest to some of my friends from the Bloc who feel, for a variety of reasons, that this is not appropriate. I look forward, particularly in committee, to hear the ways and means they will select to make this, in their mind, even more equitable.

As a British Columbian, we are pleased to participate in this sharing program. We are pleased to extend a hand, to share the wealth that is generated in British Columbia with other parts of the country. I know that my colleagues will be pleased if I say a few things about what is going on in British Columbia.

Recently the province of Alberta went through some very painful exercises provincially to deal with some of the economic realities that confront that part of Canada. We have seen other provincial governments take very serious steps at addressing their fiscal realities, one might say in some part of the country brutal steps when it comes to dealing with various social programs.

We have not had to do that in British Columbia. Not only are all of our social programs intact but expanding. Education and health care will see a 3 per cent increase this year. Since November 1991 we have seen an increase of 91,000 new jobs. We have seen economic growth this past year of over 3 per cent. Exports were up by more than 16 per cent last year. Housing starts are up more than 10 per cent. Retail sales were up by almost 9 per cent in 1993. This, however, is an important one, the level of business confidence. This is a good barometer, a good litmus test to see how the world is feeling about a particular area of the country. Capital investment intentions were up 6 per cent for 1992-93, four times the national average. In other words, the business community has confidence in the economy of British Columbia and are prepared to invest their money.

I have a booklet here that just goes on and on, pages and pages of all the positive initiatives being taken by the provincial government. I want to simply refer to one interesting graph. There is a lot of talk about the global economy and how we must be part of it and how the future is our ability to participate globally. It points out that for Canada as a whole about 80 per cent of exports go to a single country, the United States of America. This has been a reality from the very beginning and something that we simply acknowledge as a fact of life.

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Goodness, why would not the majority of our trade be with such a large neighbour to the south with such easy access?

This is why some of us have had difficulty understanding why the past government and now this government is so anxious to increase that unless the ideal would be to have 90 per cent of the trade with the United States. When entering into the FTA and NAFTA the explanation was that this would provide even more trade, increased exports and so on to the United States.

(1740)

We have to ask ourselves where in the world would we find a country that says that if we put 80 or 90 per cent of our eggs in one export basket it is a wise policy. Perhaps there are some. I am not aware of any. Perhaps some of my colleagues would be able to share their views on that with me. From British Columbia's perspective, 49 per cent of exports from that province go to the United States. One of the major areas is softwood lumber.

What is the major area of harassment in terms of the FTA and NAFTA? It is softwood lumber. Even in the one major export B.C. has to the U.S., with it being 49 per cent of our trade, we have had nothing but trouble since day one. The FTA and NAFTA have done nothing to relieve that continual harassment and hassling.

Mr. Milliken: What a burden for you, Nelson.

Mr. Riis: My hon. friend wishes to get into the debate a little later as well I hear.

What I am saying is that we are happy in British Columbia. There are all sorts of reasons for the prosperity and that people from all across Canada are moving to British Columbia to take up residence.

An hon. member: Good government there.

Mr. Riis: Part of it is because of the good government.

Some hon. members: Oh, oh.

Mr. Riis: Part of the reason is the good government. We constantly hear that international investors and so on are very concerned about the government of the day, particularly about its fiscal responsibility and so on. We can ask the question rhetorically. Which provincial government has been best able to control the deficits of their province?

Mr. Milliken: Ontario.

An hon. member: Saskatchewan and B.C.

Mr. McClelland: Alberta.

Mr. Riis: The answer is British Columbia. There is no question. My friend says "Alberta". I have watched Mr. Klein at work and how he is approaching this along with how wonderful he is doing.

Mr. Milliken: Slash and burn. Tell us about Bobby Rae.

Mr. Riis: My cheek is bulging. I said that with my tongue in my cheek. What Mr. Klein is doing is a typical Conservative or perhaps Reform approach to the world. We will see how that works out in the next few months.

We tried a different approach in British Columbia. We tried what I would call the real New Democrat approach of can we bring that deficit under control without emasculating the social programs. Yes, we have. As a matter of fact I do not think there is an economist in Canada who can say that is not taking place. Anybody who understands the financial markets would say it is not taking place.

To be fair, it is not only because of Mike Harcourt and the New Democrats. There are other reasons but I just wanted to make the point because hardly anybody ever makes it these days so I felt some obligation to raise it in the House.

Mr. Harvard: Get on the subject, Nelson.

Mr. Riis: We have to see Bill C-3 in a number of contexts. What other programs has the federal government involved itself in of a similar nature?

My colleague earlier referred to the EPF, the established programs financing, where for health care and post-secondary education the federal government contributes about \$11 billion. The Canadian assistance plan or CAP as it is referred to has \$7 billion where the federal government shares in the development of a variety of social programs.

The whole area of tax points has to be included as well as a whole host of shared cost programs. Almost \$12 billion last year was involved with a sharing program between the federal and provincial governments. In our province, the program that comes to mind is the forestry agreement, FRDA. It is a very helpful investment program where both provincial and federal governments work in co-operation with the private sector in British Columbia and invest in the future of the forest resource and ensure sustained development in the years ahead.

The federal government in its wisdom decided it would not do that any more. It would pull out of this program. Recognizing that forestry is our number one export in Canada, the federal government abandoned the ministry of forests and is moving out of its contributions to the FRDA program. It is a very regressive step.

One has to raise this issue. Recently when the government introduced the infrastructure program, it said that every province would have a certain allocation. The allocation in British

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Columbia was \$220 million. This was done on a population basis essentially plus or minus 5 per cent depending on the state of unemployment in a province. In other words here was an effort at some equalization. Often this takes place in federal programs.

(1745)

The question I would raise is that if we have a whole program for equalization in which we try to create a relatively level playing field in terms of the ability of provincial governments to provide services and having relatively similar revenue systems in place as well, is it necessary when we take that step on such a massive scale as we are doing with this legislation to also have a whole set of other equalization programs in place? Is not one good one enough?

We have to look at this within that context and say we are dealing with equalization with Bill C-3, but what about all the other areas in which equalization is also attempted? To see the value of this legislation, whether it should continue, whether it should be expanded, whether it should be reduced or maintained as is, I think we have to see it in that context and we do not have enough information here. Perhaps in committee we could ask for that and then have a more serious discussion there.

I guess this is my complaint section during my presentation. I hear other provinces complaining that they do not get enough, that they have this size of population and so on. Over the years I have never been able to identify a single federal program in which the province of British Columbia gets its fair share. There might be one some place. I have yet to find a single one that is based on our population within Canada.

An hon. member: Good weather.

Mr. Riis: My friend says "good weather". Yes, perhaps we get good weather and we are happy for that. However, I am thinking of things more to do with the federal government at this point. I know it lays claim to all sorts of things but the weather of Canada would not be one.

Is there a single federal program in which the government participates with the Government of British Columbia in which the people of British Columbia get their fair share? I could present a long list with the figures of where we do not. I do not believe that is necessary. I simply want to make the point.

Even within that climate, even recognizing that I do not think there is a single federal program in which British Columbia receives its fair share, at least based on population, we still do not begrudge the fact that we are going to be participating in this equalization program.

In all my years as a member of Parliament and in all the discussions I have had with my constituents and others, I have never heard anybody complain about the willingness to share. I hear a lot about getting the short end of the stick, or getting skewered or all sorts of other fancy names we could put to that in terms of our fair share regarding the federal government.

However I will let that stand for the moment. There will be other opportunities to raise this.

I simply want to say in closing that I appreciate having the chance to participate in this debate. However I do not want to get into the Reform Party schtick of saying: "Mary Bloggs from this town asked me to raise this question". I have been asked to at least raise the question on behalf of the city of Vancouver in terms of what it perceives to be an unfairness. It certainly is not unique to the city of Vancouver or unique to any particular city. It is regarding immigration policy.

The federal government establishes its immigration policy. The minister of immigration indicated the other day a new set of quotas or limits on the numbers, acknowledging that a major share of those immigrants end up in the greater Vancouver area. Then it is left to the school boards and the taxpayers of Vancouver to pick up the necessary language training and and so on, at least to a certain extent.

The government is asking for some consideration. With the reality of immigration in certain selected parts of Canada, should there not be more attention given by the federal government to acknowledge that and to assist and co-operate in terms of providing the appropriate services for new Canadians?

To be fair, I acknowledge that there are programs that work toward that end but when it comes to English language training or teaching English as a second language, particularly in our school system, the costs are becoming over burdening.

I simply want to conclude by saying that I have been pleased to participate in this debate. I look forward, particularly at committee, to see a more thorough examination of the some the points raised by my hon. friends and I look forward to third reading debate some time the future.

Mr. Stephen Harper (Calgary West): Madam Speaker, I certainly enjoyed the presentation by the hon. member for Kamloops. I noticed that he touched upon a few Reform themes like the issue of double equalization that occurs in some federal programs. He touched upon issues like western alienation, the effect of these programs upon his province and the effect on the inter-relationship of this with the equalization program. I acknowledge these. I do not want to say that he is a good Reformer but I certainly acknowledge these as rays of wisdom breaking through like the sun on the British Columbia flats.

(1750)

Having said that, I would like to ask him about one particular comment that he made on the relationship between fiscal policy and the present economic growth situation. He was anxious to credit the current government in British Columbia with this, but it is fair to say that we have had a period in Canada over the past generation in which governments, federally and provincially, have grossly mismanaged their finances. One of the areas in which relatively good fiscal performance occurred was in the province of British Columbia. Corresponding to that we have seen rather healthy economic growth in British Columbia at a

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time when other provinces are struggling with their deficits and debts at much more significant levels.

I wonder if the hon. member would acknowledge that there is this long-term relationship between deficit, debt and low economic performance and whether he would give credit to British Columbia governments over the years for having avoided to a fair degree that kind of trap.

Specifically in the case of this bill, would he recommend that perhaps in re-examining equalization in the future we look at whether the fiscal performance of these governments should be a factor in the kinds of equalization transfers that go to them?

Mr. Riis: Madam Speaker, I appreciate the question from my hon. friend.

I want to clarify one point that he made, or perhaps add clarification. I do not think he was saying that the Social Credit government actually managed the state of the province well. That is not my view.

We will all recall that when the New Democrat government took over office in British Columbia it brought in one of the more internationally recognized accounting firms to evaluate the books and it found the whole place a complete financial disaster. We will start from that and then go on, much the same as this government is finding the Conservative situation regarding the whole country.

I will acknowledge the point that we have seen a general understanding that it is important to get the debt and the deficit under control in British Columbia for some time.

There is probably no province in which that has been demonstrated more clearly than the province of Saskatchewan, if my memory serves me. There seems to have been a pattern. This is an interesting pattern, although I do not want to take up a lot of the time of the House by talking about it. It just seems natural that people change governments. They elect another government, either a Liberal or a Tory government and it turns the whole place into a financial disaster. Then it gets tossed out and in comes the CCF or the NDP again. It gets everything in order over a period of time. This just plays itself out.

That is a reality and just the way things go in that province.

Mr. Harvard: You would not make a very good historian.

An hon. member: That is the history of Saskatchewan and B.C.

Mr. Harvard: What about Ontario?

Mr. Riis: Part of getting the fiscal house in management in the province of Saskatchewan and in the province of British Columbia has been the recognition that we have to get the debt and deficit under control as well. No question about that.

Mr. Milliken: Ask Bob Rae.

Mr. Riis: Let us ask Clyde Wells. I am just using this as a good case study. We want to look around the world and ask where governments seem to work. They seemed to work under CCF and NDP governments in Saskatchewan and under the NDP government in British Columbia.

An hon. member: What about Yukon?

Mr. Riis: "What about Yukon", somebody asks. Yukon is the same.

I am not saying that New Democratic governments always work super well everywhere, just like I do not think anybody here would say the Tories or Liberals—Reform has a short record so far—essentially work everywhere. I am saying that we have to look around for models of excellence in which people actually have done the job well. I am saying that British Columbia is doing it well, just like the New Democratic and CCF governments in Saskatchewan have done well over the years.

I want to acknowledge the point made by my hon. friend. To do this properly one must manage debt and deficit.

How do you do that? Ralph Klein is trying one approach. It does not seem to be working. The Tories before him I guess tried that. He is trying some more cut, cut, hack, hack, seeing if that works. So far it has not worked.

I was here for the nine years that the Progressive Conservatives were in office and they said they tried that approach. The situation has never been worse in this country. We have over a half trillion dollar debt. Obviously the people of Canada want to try something totally different.

(1755)

The province of British Columbia is doing it a bit differently. It has cut back on all sorts of unnecessary government spending. It also acknowledges that there is something called government investment. It is investing in a variety of areas such as the development of high tech firms, training highly skilled technicians, putting money into scientific research and development through to production. In other words, it is recognizing that there is government money to put into investment and government money to put into simply spending and that has to be cut. It has done that.

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As a result I am pleased to say that probably within another two years there will be a balanced budget in that province, the only province in Canada. I say that the proof of the pudding is in the eating. I am not saying that everything that it has ever done has been perfect. We would not say that about any government. However, when it comes to managing the economy it seems to be working better than any place else in Canada.

I say to my hon. friend that I think his question was good. It was not really a question, I guess. It was simply would I agree. Largely I would agree.

To tie equalization in in terms of the fiscal management of provincial governments, I think that was the question, is worth some merit. Perhaps it is the kind of thing I would like to see discussed more in committee to see what the implications of that would be, particularly for some of the very poor parts of Canada. I do not want to name those provinces, but I think there would be some provinces that would have a very difficult time without substantial equalization in a whole variety of programs. It probably is sufficient for my hon. friend to say that they are doing a good job.

[*Translation*]

Mr. René Canuel (Matapédia—Matane): Madam Speaker, since the beginning of this debate on Bill C-3, several experts have tried to prove with figures that equalization was not necessarily fair, and I am sure it is not.

Coming from a remote area, from one of the poorest ridings, I see farmers forced to sell their land, I see our trees sold without any processing, in short I see serious problems. I am not prepared to say that equity from sea to sea applies to my riding.

However I wish to focus on education. Therefore I will deal more specifically with transfers to education. In a country like Canada and in a future nation like Quebec, it is essential that we devote every effort to manpower training. I spent my life in education and I know that without proper training it is unrealistic today to expect a decent standard of living.

Education and training are the keys to economic, social and cultural development. They are also the keys to our success, nationally and internationally. Our labour force must be upgraded on a continuing basis if we want to meet the challenges of today and especially those of the future.

The federal government started to grant money directly to universities in 1951, although education was officially a provincial matter. At that time, and justifiably, Quebec strongly opposed that move.

In 1961 the federal government transferred to Quebec 1 per cent of corporate income tax in order to allow the province to give its educational institutions equivalent grants.

The cost sharing arrangements for post-secondary education were revised in 1967. The federal government agreed then to transfer to the provinces 50 per cent of the operating costs of post-secondary education institutions. These agreements then took the form of tax point transfers and cash payments to all the provinces. In 1977, these agreements were merged into one program called Established Programs Financing.

(1800)

Previously advanced education was accessible only to a privileged few. Education was reserved for a minority. At that time, the only university for all of the Gaspé Peninsula, the North Shore and the Lower St. Lawrence was Laval in Quebec city. The ordinary people of our regions, whom we called the poor, did not have access to that institution. It meant that only some people, part of the elite, could go to college and the others had to stay home because they could not afford it. What did they do? They became welfare or unemployment insurance recipients.

Be that as it may, after World War II, there was a mass communication explosion; our planet was about to become a global village. It was no longer possible to deny the people their right to a better education and better training. All young people wanted to study and our system quickly overflowed, to such an extent that in 1967 we had to create the CEGEPs, general and vocational colleges.

At that time, Quebec's Department of Education said it could not meet the demand. That year, only ten CEGEPs were created, but others followed. Progress was not to stop there. We had to build or expand universities to meet the demand and governments invested considerable amounts in that area. Another major factor at that time was the fact that people wanted to get good training in vocational sectors.

What triggered the whole process was the coming home of soldiers after World War II. We had to find jobs for them. We had to put them back in the labour market. But before anything else, if they were to have a real opportunity to succeed, they had to be trained. We created a country-wide network of technical schools which were merged with the CEGEPs during the 1960s and 1970s. Only a few schools still remain independent.

Furthermore, the adults who were already working wanted advancement so they also wanted access to higher learning. The demand for education increased unbelievably. All this led to the development of a sound education system across the country, thus raising the general level of education. In some specific areas, it increased very rapidly.

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Another very important aspect of this revolution that swept North America, is the fact that women were admitted in colleges. Before that, only men had access to higher education. Thanks to the efforts made by Quebec in the area of education, there are now more women than men enrolled in higher education establishments. And so it should be.

In spite of its many successes, our education system still needs to be improved, and for that, the help of the federal government is essential, especially as regards post-secondary education. In my riding, we only have one CEGEP and no university. The slightest tuition fee increase closes the door to post-secondary education for some of our young people, depriving them of the necessary training to face the challenges of the next century.

Each dollar we do not invest brings our young people, and our adults too, closer to having to depend on unemployment insurance and welfare. Every year, in my riding, the rates go up. Is it what this government wants? Is it what we want, unemployment and people on welfare? It is not possible to go back in 1994. By investing less in post-secondary education, do we think that we can continue to develop this country and get out of the economic problems it is going through?

(1805)

Certainly our education system is not perfect, but it is highly defensible, especially in Quebec. Like any system, it must continue to be improved. We cannot improve it by cutting its funding.

We have let parents and teachers have their say in our education system. Now it is up to us in the government to follow through on the right to speak which we have given them. Parents are speaking up and so are students aged 16 to 20. They are afraid of unemployment. Today, I speak on their behalf.

Can we again go back on this point?

We must bring the debate back to the real issue. Do we want a better future for our fellow citizens? Do we want to give our desperate young people a real chance? Do we want Canada and Quebec to continue to enjoy a good standing among developed nations? If that is what the government wants, it cannot cut transfers to the provinces, especially for post-secondary education. Our future depends on it. Furthermore, post-secondary education is in provincial jurisdiction. In Quebec, we need all the available resources.

I want to speak out here against the principle of a ceiling on equalization. For Quebec, it means a loss of hundreds of millions of dollars over the next five years.

I am speaking against Bill C-3 because it extends the ceiling on equalization payments. On the contrary, we need a complete reform of all transfer payments to the provinces.

The cuts made by the federal government in established programs financing reduced the federal share of funding of health and post-secondary education programs in Quebec from 45 per cent in 1984 to 32 per cent in 1993. Government spending on research and development is much lower in Quebec, whatever the criterion used.

It is unacceptable to let this government darken our future by depriving us of money that we send in taxes which should be used to educate our youth and adults. It is too important for the survival of Quebec and the riding of Matapédia. As long as we pay taxes, we must get this return. It is too important for the young people and adults in my riding. Madam Speaker, you can be assured that I will demand it.

Mr. Stephen Harper (Calgary West): Madam Speaker, I listened closely to the speech by the hon. member for Matapédia—Matane. If I understood correctly, he was speaking not only about the treatment of Quebec in Canada, but also about the way his region is treated by the province of Quebec. We find that to be a very interesting point.

(1810)

Does he believe that in the case of federal programs such as the equalization provisions in this bill, if the federal government were to change the formula, the Quebec provincial government would be encouraged to spend some of the equalization funds it receives in the poorer regions of the provinces. I think that is the aim of programs such as this. Does the hon. member believe it is important that the provincial government spend equalization funds in his region, and not only in the large urban centres such as Montreal or Quebec?

Mr. Canuel: Madam Speaker, I want to thank my hon. colleague who appears to be highly sensitive to the plight of the regions. It is true that very often when we think of Canada, we think of large cities. Large urban centres are often represented by several members, and sometimes by several ministers. That is why I say that federalism has proven to be a failure for regions such as mine, and most likely for regions such as his.

Basically, federalism has proven to be an even greater failure in the regions. It has failed throughout Quebec, but especially in the regions. True, equalization and transfer payments are supposed to help the poorer regions. However, I have only one voice and compared to that of Toronto, Vancouver or Montreal, the voice of regional members is not heard because they represent a much smaller number of people.

When I decided to run in my riding, it was for a very special reason, namely to heighten the awareness of city dwellers of the poverty in our regions. We have a great deal of talent. We have tremendous human capital, but as we all know, when people leave to attend large universities, they do not return. On this point, I agree completely with my hon. colleague. We need to focus more on the regions and give them as much as possible.

Because, when towns cease to exist, cities decline and eventually disappear.

I want to thank my hon. colleague and let him know that I am very sensitive to his concerns. I agree that more has to be done for our regions.

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot): Madam Speaker, I would like to congratulate my colleague from Matapédia—Matane for an excellent speech, and especially for talking about Quebec and Canada's rural communities.

I had the privilege and the opportunity to be associated with a great event held in February, 1990, in Quebec, which was called the États généraux du monde rural. What came out of this general assembly for rural communities, which lasted for over three days, but took more than a year to prepare, is that we do not do enough for rural areas in Quebec and in Canada. We always tend to consider government programs, taxation and even the Constitution in terms of the needs of the cities rather than the needs of rural areas.

I would like to congratulate him for that, and to build on his arguments about federalism versus rural communities. Nowadays, we hear about a concept called subsidiarity, which goes a bit like this: if you expect good results from government policies, you would not be needing extremely centralized measures undertaken by a cumbersome bureaucracy, or a paralysed government, but rather massive decentralization. During the debate on Quebec sovereignty, and where Quebec attains its sovereignty, we might also have to talk about subsidiarity, to draw the people, especially the rural population, closer to power.

(1815)

Mr. Patrick Gagnon (Parliamentary Secretary to Solicitor General): Madam Speaker, I would also like to make a few comments on the speech made by the hon. member representing Matapédia—Matane, which is the riding next to mine.

The hon. member more or less wanted to make a case when he squarely put the blame on federalism for the hardships and problems encountered in remote regions.

However, I would ask him to take a look at policies implemented by recent provincial governments in Quebec, not only the Liberal one in office since 1985, but especially the Parti Québécois before that. I do not think that the federal government is necessarily the one to blame; the province is also responsible for the situation in rural areas.

In any case, more and more young people and business people return to the regions to get the local economy going again. I believe that to get regional and local economies going again, we must invest more in individuals, and not necessarily in states. Whether it is the state of Quebec or Canada, I think we should do more for small business people.

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Over the years, especially under the Conservative government but also under the Parti Québécois before, not enough was done to help small businesses, for example with loans. It is mainly because of government agencies, or because of the lack of co-operation of financial institutions, that we were not able to improve the situation of small businesses and, consequently, the quality of life in rural Quebec. But it is wrong to say that the federal government is the only one to blame.

An hon. member: Yes, indeed it is wrong.

Mr. Gagnon (Bonaventure—Îles-de-la-Madeleine): It is absolutely wrong, because some positive attempts were made by the federal government to get regional economies going again, for example with the Federal Office of Regional Development. Quebec has been talking about the one-stop concept for years, but I would like to hear the Bloc Québécois tell us exactly why federalism was so bad for rural economic development.

I think that by talking about sovereignty and by making it an obsession in the eastern part of Quebec, we jeopardize the future of our young people and our remote regions. I do care for my region; I am first a Gaspésien, but I object to this claim that federalism is to be blamed for our high unemployment rate.

Mr. Canuel: Madam Speaker, how can federalism not be at fault since, over the last few years, our ridings have been represented by federalists at the provincial level? Indeed, whether at the provincial or federal level, there are only federalists. Also, the unemployment rate in our region is at 21 per cent and is constantly increasing. If that is not a failure, what is it?

Our young people are all leaving. If provincial or national federalists are not to blame, after all the Parti Québécois is not in office, then whose fault is it? It is not the Parti Québécois, nor the Bloc because we just got here. We will improve things, but we need time to do that.

[English]

Mr. John Solomon (Regina—Lumsden): Madam Speaker, it is my pleasure to participate in the debate on Bill C-3. My sense of the bill is that it has assisted the provinces of Canada in stabilizing their budgetary plans over the next five years. I have an attraction toward supporting the bill, in particular as it applies not to just to all of our country but as it applies to Saskatchewan where I come from.

(1820)

What has happened in Saskatchewan over the past 10 or 12 years is nothing short of a disaster. I will go back a bit to describe what Saskatchewan was like between 1971 and 1982. At that time Saskatchewan was governed by a New Democratic Party government led by Premier Allan Blakeney. The NDP was the only government of the day in Canada that had 11 consecutive balanced budgets. These balanced budgets were not done for the sake of balancing the budget, but they were the result of good planning on behalf of the premier, the cabinet and the

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government and ensuring that the priorities of the people came first.

In spite of the balanced budget the province of Saskatchewan had the lowest overall tax rate in the country. Saskatchewan had hundreds of millions of dollars in revenues from the resource industries. We had the only children's dental program for children 18 years of age and under in the entire world. We had a prescription drug plan for all of our citizens.

We had a very significant initiative not only in health care but in the economic sector as well. People were working. The farm economy was well attracted to the government in terms of the type of agricultural programs we undertook. We pioneered agricultural programs such as land bank and farm start which encouraged young people to stay on the farm and get into the farming sector.

After 11 years we basically came out of the 1970s to 1982 not only with 11 balanced budgets, our people working and good social programs for the population, but also with a heritage fund of about a billion dollars. Our final budget in 1981-82 provided a surplus of \$139 million on the operations side.

In 1982 an event took place in Saskatchewan which to this day and for probably a generation or two will be remembered. That is the date of the election, April 26, 1982, when Grant Devine and the Conservative government came to power. They had won the election on the basis that they were a Conservative government, that they were fiscally responsible and that they were going to do all these great things for the province of Saskatchewan.

They had 10 consecutive deficit budgets in their nine years of power. They went from a \$139 million surplus on the operations side to \$8 billion in debt. We went from a \$3 billion crown corporation capital debt in 1982, which was a self-liquidating debt like a mortgage on a house, to after nine years of Grant Devine and the Conservative government ruling the province, to a crown corporation capital debt of not \$3 billion but over \$8 billion coupled with the significant problem of having all of our profitable crown corporations privatized. There were no revenues to pay off this \$8 billion capital debt.

In 1991 the people of Saskatchewan had enough. They defeated the Conservative government and elected another NDP government. We are not just faced with this massive \$16 billion debt for less than a million population. We are also faced with a savage attack by the national government in terms of reduction in equalization payments. As a result of Mr. Mulroney and the former Conservative government we have lost on average about \$252 million a year in equalization payments. That was the punishment Saskatchewan received even though we had a

like-minded Conservative government at the provincial level. That was the reward. It was more of a punishment than a reward.

This shows very clearly that Saskatchewan had the ability to run its own finances, to introduce progressive social programs, to produce jobs for its people. When it had a plan in place under the NDP we progressed from that to where we became basically almost a bankrupt province in 1991. Part of that was because of the established programs financing and other equalization programs that were cut back. The majority of it obviously was because of the Grant Devine government.

(1825)

The point I want to make with respect to Bill C-3 this evening is that this bill addresses some of the hardship under the former government in the sense that it re-establishes some of that lost revenue on an annual basis. It does not make up all of it, but establishes an upward trend to providing us with more of our fair share in more ways than one.

The other reason we had big deficits in terms of losing our equalization payments in the 1980s was because the equalization formula that was negotiated with the former governments, two Tory governments provincial-federal negotiating in the 1980s, took away the ability of the province to raise revenue through resource taxation. The way it punished Saskatchewan was that for every dollar we raised in terms of additional resource revenue we would have the equalization payments reduced dollar for dollar.

In the event where prices for potash and oil increased as a result of world prices, our price sensitive royalties would gather more revenues to the province, but we would lose for every dollar we gained on the equalization payments from the federal government. It was really a catch 22. We were handcuffed as a province in terms of managing our own finances.

I am pleased to see in the bill some progress toward taking the handcuffs off. It has not resolved all of the things we would like to see in Saskatchewan, but what has been resolved is this very distressing problem with respect to resource taxation. It has provided a change in the equalization formula which will address the problem known as a tax back in determining equalization entitlements for Saskatchewan and I understand for Newfoundland and Nova Scotia as well. Saskatchewan will receive some long-term benefits.

There will still be a very light handcuff on the Government of Saskatchewan to increase its revenues with respect to resources and not be affected with respect to equalization, but the good news is there is an about face in terms of the total disregard for provincial autonomy when it comes to resources and this bill is a positive move in that step. That is one of the reasons I support it.

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As important I believe is that governments must have a plan. It is not good enough to come to this Parliament on a daily basis and have an agenda for today. What is important is that we as the Government of Canada and the provincial governments have a long-term plan—a medium term plan, a daily plan, a weekly plan—some idea as to where they are going in the next five years.

Under the Romanow government since 1991 they have put together a five-year plan which will provide a balanced budget for the first time since 1982 in the 1995-96 fiscal year. We are very proud of that in Saskatchewan. It has been very difficult. It has not come without a great deal of sacrifice, an increase in taxes and reducing some of the benefits. Our options were very limited.

Bill C-3 in my view is a good move. I do not think it is going far enough for the province of Saskatchewan, but I am satisfied that it is a step in the right direction. As a result in principle I do support the bill.

The Acting Speaker (Mrs. Maheu): Is the House ready for the question?

Some hon. members: Question.

The Acting Speaker (Mrs. Maheu): Is it the pleasure of the House to adopt the motion?

Some hon. members: Agreed.

Some hon. members: No.

The Acting Speaker (Mrs. Maheu): All those in favour of the motion will please say yea.

Some hon. members: Yea.

The Acting Speaker (Mrs. Maheu): All those opposed will please say nay.

Some hon. members: Nay.

The Acting Speaker (Mrs. Maheu): In my opinion the yeas have it.

I declare the motion carried.

(Bill read the second time and referred to a committee.)

* * *

(1830)

INCOME TAX ACT

Hon. Douglas Peters (for the Minister of Finance) moved that Bill C-9, an act to amend the Income Tax Act, be read the second time and referred to a committee.

He said: Madam Speaker, I would like to take this opportunity to lead off the debate on the second reading of Bill C-9. This bill proposes to implement a number of amendments to the Income

Tax Act that were announced by the previous government in December 1992 and April 1993.

The previous government introduced legislation, Bill C-136, last June to provide statutory authorization for these measures, but the bill died when Parliament was dissolved and election writs issued. For these measures to have legal effect new legislation must now be passed by this Parliament. The measures in Bill C-9 address a number of areas.

Allow me to list them: first, the unemployment insurance premium relief for additional jobs created by small business in 1993; second, the extension of the home buyers plan through March 1, 1994 which allows individuals to withdraw funds from their RRSPs to purchase homes; third, changes in the rules for instalment tax payments that will require more high income filers to make quarterly payments while allowing other low income filers to pay only once a year; fourth, certain tax measures to support small business, scientific research and development, oil and gas exploration and labour sponsored venture capital investments.

Let me be clear at the start in explaining why we are going ahead with this legislation. We have no obligation to the previous government, a government that was resoundingly defeated by the Canadian electorate last October. Our mandate from the electorate is based on a different vision. It is a vision that offers hope to Canadians that we can work together and deal with the difficult legacy that we inherit. Our mandate rests on a clear commitment to create a different and a better future, a prosperous Canada in which everyone has a chance to participate in building the country and a chance to share in the rewards.

That being said, it is essential that the government always reflect the sense of fairness and common sense of Canadians. This is the test we have applied to the unfinished legislative business before us today. Simply put, these tax measures were introduced some time ago. Many were announced more than a year ago and some have fully run their course and are now expired. Many were said to be effective immediately when announced by the previous government and many thousands of Canadians took it at its word.

These individuals have relied on these announcements when making important decisions. Many have, for example, used their RRSPs to buy and build homes and I am sure everyone in the House agrees that buying a home certainly represents a major commitment to those involved. Other Canadians have relied on these announcements when making significant investments or hiring new employees.

The commitment these taxpayers have made is for the most part irreversible. The actions that have been taken are concrete and represent real investments of hard earned savings. We are not dealing simply with plans that some people have for future actions. Consequently, if we were to walk away from this situation many people would be put in a very difficult situation,

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an unfair situation. The trust that Canadians have in their government, a trust that we must always strive to keep and enhance, would be dealt a powerful blow.

However, we do not approach this question as prisoners of the previous government's actions or inactions, to put it more precisely.

(1835)

We have carefully reviewed the measures in this legislation and believe we can support them in their own right.

One of the measures in the old legislation has been dropped. The previous government had proposed paying the GST credit only twice a year to low income Canadians. For our part we choose to continue paying this credit every quarter to those who qualify during the period the GST remains in force, which will hopefully not be too long. The government is committed to replacing the GST with a fairer and more efficient tax. The House of Commons finance committee will be examining options over the next few months on the matter.

As for the other measures, our primary criticism generally is that they represent only a small piecemeal effort by the previous government to deal with a large and pressing need in this country to strengthen the economy and to create jobs. The approach to economic management by the previous government, a combination that might be called slash and burn on the one hand and ineffective tinkering on the other, needlessly prolonged a painful economic downturn and spread intolerable levels of distress and suffering over this whole country.

For our part we believe we need a long-term process of reform to government policies and programs that is, to quote my colleague the Minister of Finance, creative, compassionate and constructive.

I am confident the upcoming budget will set in motion a process of re-evaluation and reform that will result in meaningful, significant steps to bring this country back onto a path of job creation and economic growth shared by all.

I ask my colleagues and my hon. friends opposite to consider this legislation not as an indication of the approach this government takes to economic management. Rather, this is simply a question of parliamentary housekeeping and the discharge of a trust we in this House owe to all Canadians.

With this in mind, let me outline briefly the measures of the bill. First of all there are measures that affect individual taxpayers. One is an extension of the home buyers plan by one year through March 1, 1994. As I mentioned before, to renege on this program would cause undue and unfair difficulties to many thousands of Canadians.

As well the legislation provides that starting next September certain higher income Canadians will have to make quarterly instalment payments on their taxes. This measure will affect those people whose tax payable is \$2,000 or more than the total tax withheld at source. In Quebec where we collect only the federal tax, the figure is \$1,200. At the same time some 300,000 low income filers will be excused from quarterly payments and required to pay only once a year.

Some member may argue that these measures are yet to take effect and thus could be allowed to die without undue hardship to taxpayers. I would counter by pointing out that these changes represent a small but real improvement in the income tax regime.

Most Canadians pay their taxes either every time they receive a pay cheque or quarterly. Therefore it is only fair to set the same requirement for those Canadians who have substantial income which is not taxed at source and effectively receive a special benefit. At the same time we support the premise that low income filers, many of them elderly, should have their tax payments simplified.

Another area addressed by this legislation is one of the few attempts by the previous government to foster job creation. The December 1992 economic statement announced a one-year program of relief for unemployment insurance premiums for increased employment by small business. This program has come and gone unnoticed by the 1.5 million unemployed in this country. Nevertheless a number of small businesses have taken the government of the day at its word and we shall honour that bargain as a matter of public trust.

The same considerations also apply to the other measures targeted at small business. These include first of all the temporary small business investment tax credit for the purchase of eligible machinery and equipment from December 2, 1992 to December 31, 1993.

(1840)

Second, the extension of the small business financing program to the end of this year, allowing small businesses in financial difficulty to refinance up to \$500,000 of debt at low interest rates.

Third, the removal of any limits on holdings of small business shares in RRSPs and RRIFs.

Fourth, the extension of the 35 per cent investment tax credit available to small Canadian controlled, private corporations for eligible research and development expenses.

In addition, this legislation will give effect to some general improvements in the tax credit incentives offered to encourage Canadian research and development. As well, it removes the annual limits on the investment tax credits. This limit, introduced by the previous government in 1987, reduced the effectiveness of the ITC incentives for rapidly growing firms, one of the engines of job growth in this country.

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The bill also assists resource companies by allowing 100 per cent of the first \$2 million of oil and gas development expenditures to flow through directly to shareholders and be deducted by them. As well, it gives these companies more flexibility in managing their affairs by removing the mandatory reduction of the Canadian exploration expenses.

Finally, this bill will put in place new, more flexible rules for investments in labour sponsored venture capital corporations.

In conclusion, let me reiterate the position I put forward earlier. The government has no quarrel with the underlying goal of our predecessors in announcing these measures. No party in this House or in the previous Parliament is against job creation in principle. The issue however is which parties are for job creation in practice. That issue was put to the voters and the voters provided a clear answer. We do not hold out the measures in this bill as any solution to the challenge of job creation, but we do recognize the attempt. Of equal importance, we recognize the commitments made by small business people, by new home buyers and by others who have relied on these proposed measures.

It is with these thoughts in mind I urge members of the House to support the bill.

[*Translation*]

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot): Mr. Speaker, I am happy to have this opportunity to speak to Bill C-9.

As our colleague just mentioned, Bill C-9 gives concrete expression to measures announced by the previous government in the Economic and Fiscal Statement of December 1992 as well as in the last budget it tabled before being literally swept out of office in the last federal election.

This bill will be considered in the Standing Committee on Finance, at which time the Bloc Québécois plans to examine each provision, even though the government considers certain provisions as mere formalities. With regard to those measures that we see as very positive, such as the extension of the plan allowing individuals to withdraw funds from their RRSPs to buy a first home and those relating to labour sponsored venture capital corporations, an item by item examination of Bill C-9 will give us an opportunity to make recommendations to the government, if applicable, to extend further this kind of programs. I think that this is one of the functions of the Standing Committee on Finance.

Having said that, no great revelation emerged from my review of this bill because I was familiar with the actions of the previous government. Like my hon. colleague though, I have realized that the last budget tabled by the Conservative government was full of short-term measures, measures to mitigate a catastrophic economic situation they were largely responsible for. Think for instance of the recession which took unprecedented proportions after the first quarter of 1990, making the rate of unemployment in Canada climb from a little over 9 per cent to 12 per cent. Think of youth unemployment also. Released just recently, the latest statistics on the last quarter of 1993 indicate that unemployment is affecting 17.5 per cent of young Canadians under the age of 25.

(1845)

Take the inactivity rate in Quebec, for example, because we know that situation better. This is the unemployment rate plus the people who are no longer looking for work because they are so discouraged by the economic measures of the previous government that they have given up. In five years the inactivity rate has gone from about 19 per cent to nearly 25 per cent in Quebec.

These are the devastating effects of Conservative policy. In Bill C-9, in the last budget, we find some piecemeal, partial, weak measures to lessen the blow and bandage the wound which they themselves created.

That said, I would like to give an overview in the next few minutes—I will not take too much of your time—but in the next few minutes, I would like to give the reasons for this mess, the causes of the catastrophic state the economy is in, so that the present government will not repeat the same mistakes.

The economic situation which we have been in since the first quarter of 1990 is the combined result of three main factors. The first of these is very bad management of the government's finances. The second is the Conservatives' monetary policy and the third, the international economic climate which has worsened the disastrous economic situation and the sorry state of Canada's finances due to the Conservative government.

I do not think that we have to review the first of these factors, the government's finances. Canada's public finances have become a cause for great concern since about 1986, even extreme concern.

I would remind the government that it was when the Liberals were in power before that we started to have problems with the government's financial management. I will just give you a few figures in the hope that the new Liberal government will not repeat the same mistakes that it made when it was in power from 1970 to 1984. I would remind you that the present Prime Minister of Canada was Minister of Finance during that time. I would remind you that from 1970 to 1984, the annual federal deficit as a percentage of gross domestic product rose from 0.3 per cent to 8.7 per cent, a record since unmatched. The Liberals set the record when they were in office before.

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We are hoping and taking the opportunity of this debate on Bill C-9 to warn you against reverting to this mismanagement of public funds.

The second cause of our disastrous economic situation, the second legacy left us by the Conservatives, is the anti-inflation policy.

When you say that in less than a year and a half the gap between Canadian and American short-term interest rates went from about 1.5 to over five points at times, it is obvious that, sooner or later, it would impact on investments and, in turn, on economic growth and job creation.

The dogmatic anti-inflation policy followed by the former Governor of the Bank of Canada was a major factor in the ailing economy that led, in Bill C-9, to a few fragmented stopgap measures.

We therefore warn this government against making the same mistake by adopting a dogmatic anti-inflation policy that goes too far to bring inflation under control without trying to maintain a balance between long-term price control and short-term job creation.

We also hope, after thoroughly reviewing Bill C-9 to learn from it as you can see, that this government will subject all programs, expenditures and tax measures such as those in Bill C-9 to extensive scrutiny. Because, after studying this bill and consulting senior officials from the finance department, we found out, that no cost-benefit analysis has been done, that no serious, objective review is done every time new tax measures are planned like those the Conservatives left us in June 1993.

(1850)

The Auditor General is very clear on that. He said that out of 16 federal programs accounting for \$124.5 billion, only two have been seriously evaluated. Therefore, I urge the government not to make the same mistake in the next budget. It is important that every measure proposed in a budget be fully analyzed, that they be subjected to a thorough cost-benefit analysis.

Fourth, I hope the government will propose something other than palliative measures—similar to those inherited from the previous government—like the ones in Bill C-9. I am hoping for real programs of job creation, not Mickey Mouse programs. I would like to see real measures to create long-term jobs, measures which would raise the quality of manpower and improve its capacity to face the globalization challenges. I hope the government will fulfil the expectations concerning training, the expectations of the Quebec Government, and that it will put an end to overlappings and inefficiencies in this area.

This is another piece of friendly advice to the government from the Bloc Québécois. I hope the government will not repeat the mistake of the Conservatives and try to attack social programs. That too seemed clear in the red book that is being waved at us virtually every day on the other side of the House. By the way, I believe it is improper to produce exhibits in the House. I would have to check, but I think I read that somewhere.

It was clear in that red book—I remind you that Mao also had one—that social programs would be protected and that future budgets would also allow for the creation of social housing. It seems that the Minister of Finance has forgotten those commitments.

Let us hope that the government will not repeat the mistakes of the Conservatives who tried several times—and they were taught a costly lesson—to reduce social programs, to reduce senior citizens' pensions, and to practically eliminate—as they did in their second last budget—social housing.

It is hoped—and that was shown to me by Bill C-9—that the government, when tabling its next budget, will try to really reduce its extravagant spending. There are also real measures that can be taken to fill the taxation gaps, and I will give you some, because I have the feeling that people here tend to forget these things, even from one day to the next.

There are major gaps in the Canadian tax system. It has been said repeatedly since the morning of October 26 and even before, during the election campaign. I will give you two or three more examples in order to refresh your memory and that of the minister of Finance, who is preparing his next budget which, according to rumour, is to be tabled on February 22.

Here are some examples of these scandalous situations. Taxpayers in Canada who get their income mainly from capital—so, they are not workers, but people who are able to invest in stocks, bonds and elsewhere—are taxed at an average rate of 9.9 per cent. The basic rate for workers, for those who toil to earn a living and who cannot afford to speculate, is at 29 per cent. Why are there such inequities?

Here is a second example. In 1987—because since then the Department of Finance has stopped conducting these analyses and, all above, publishing them; people in the federal system are hiding them because they are ashamed—in the middle of an economic growth, there were 90,000 Canadian companies that made \$27 billion worth of profits without paying any income tax.

(1855)

The Bloc Québécois has often mentioned the scandal of family trusts during question period. The Minister of Finance, as the Prime Minister and all the members of the Liberal Party, decided to laugh at the whole issue of these tax loopholes and to discard, with language well known to this House, the family

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trust problem even though it costs the federal government between \$350 million and one billion dollars a year in tax revenues.

Last weekend, I read an article by Yves Séguin, who is certainly not uninformed about taxation whether in Quebec or in Canada, and he estimated that in Canada, tax loopholes alone—I am talking here about grand-scale tax evasion by Canadian corporations—represent a loss of revenue of approximately 2.5 billion dollars.

When the government presents its budget, when it evaluates all tax measures and when it modifies or reviews the whole Canadian taxation system, we hope that the Minister of Finance will keep in mind that there are blatant tax inequities in our system and, most of all, that he will not touch middle-class income, social programs or those people who have been carrying an ever-increasing tax burden since 1984, that he will not copy the previous government which, need I remind you, was erased from the federal map.

Contrary to what the Tory government did in its last budget, I hope this government will present true tax incentives in order to promote economic recovery in Quebec and in Canada and to reinforce corporate and individual competitiveness because globalization is something everyone speaks about in this House, something everyone has been talking about since 1984 under Tory management, but it is more than a mere concept.

Globalization means we have to face the best in the world, the best industries, the best workers, in a world that is getting smaller by the minute. My former boss at the Union des producteurs agricoles used to say that globalization would transform our planet into a global village. Therefore, the United States are not our competitors any longer; our competitors are now the most efficient workers in the world. They are the Pacific Rim countries and the developing countries because in the area of mass production, their competitive effectiveness is superior to ours.

So we hope this government will not repeat the errors by applying stop-gap measures instead of real ones which would reinforce corporate competitiveness and worker productivity in Canada.

We hope that this government will change its mind and restore the full meaning of the Canadian equalization program, which we had the opportunity to debate yesterday and today, with respect to Bill C-3, by eliminating the ceiling it imposed on payments to the provinces. My message is the same one we delivered yesterday and are still sending today: this ceiling completely changes the nature of the equalization objectives.

For the benefit of my friends in the Reform Party, I will digress for a moment. I have the feeling that they cannot read, although I hope they can write; but I do know for a fact that they cannot read; how else could they refuse to understand the basic

principles of equalization? Since yesterday, they have been saying things about Quebec and the Canadian equalization system that are totally biased, harmful, and even vicious.

May I just remind all the members, before I make my point, that this system is here for a good reason and that it originates in the Rowell-Sirois report, which I urge all the members of the Reform Party to read and study; there are close to two dozen copies of the report in the Library of Parliament. It provided the basis for the Canadian equalization system, together with a nice Canadian dream neither my colleagues nor I believe in any longer. It said that the redistribution of wealth among all Canadian provinces was the cornerstone of federalism.

(1900)

The aim of equalization is to make sure that even the poorest provinces, the have-not provinces—these are the principles of fiscal federalism, I did not invent them, they stem from the Rowell-Sirois report and subsequent ones—are in a position to have sufficient revenues, including equalization payments from the federal government, to deliver approximately the same level of quality public services as the other provinces.

Equalization payments are calculated according to two factors. The first one is the ability of provinces to raise tax revenues on the municipal and provincial levels. This taxation capacity is then compared to a national average calculated using five Canadian provinces. If the taxation capacity of a province is inferior to \$4,800 per person, if I remember the latest calculations, equalization will provide the rest.

Since the total amount of equalization payments is calculated on a per capita basis, it is obvious that Quebec, with seven million people, receives more. Quebec is a have-not province with regard to its capacity to raise tax revenues. When you multiply the per capita rate by the population of the province, it is obvious that Quebec receives more money than Manitoba, Saskatchewan and most of the provinces which “benefit” from equalization. This is not a hand-out. This is the principle of federalism in action. And if the members of the Reform Party are federalists—unless they have had a change of heart and have become sovereigntists in their respective provinces, but I will assume they are federalists until further notice—then they are out of line when they point a finger at Quebec for receiving more than its fair, equitable share, or so they say, a share based on the federal system.

A second point before getting back to the main subject. I would suggest that my colleagues from the Reform Party as well as some of my Liberal colleagues ask the Library of Parliament—they have economists, tax experts and other specialists working there; I can even send a memo on their behalf if they do not know how to go about making such a request—to dig out for them all the expenditures and types of expenditures the federal government has made in each province as well as the per capita share. They will realize one thing: Quebec may, on the one

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hand, be receiving 3.6 or 3.7 billion in equalization payments but, on the other hand, it has been losing support for the past ten years in areas such as research and development, transportation, agriculture, federal department investments in Quebec— I would appreciate that they wipe that smile off their faces and just check the figures. At any rate, we will keep bringing them up in this House throughout our mandate, over the course of the four years we will be spending here together.

A third point on equalization. My colleagues from the Reform Party come mainly from the Prairies, from Western Canada. Let me remind them—and I know this for a fact—that each and every year since 1984–85, the three Prairie Provinces have been receiving between \$2.5 and \$5 billion from the federal government mainly in support of the grain sector.

Back in the days when I sat on foreign trade and stabilization committees of the Canadian Federation of Agriculture as a representative of the Union des producteurs agricoles, the UPA was saying that Prairie grain growers were hard hit by the global economic situation. They have also been hit by several droughts since 1984. We understood their situation and never criticized the federal government for making ad hoc payments to help them out.

(1905)

We have never blamed them for the fiscal federalism that Quebec is being blamed for through equalization. So I would ask them to show a little more respect for Quebec when we are talking about it and not to make harmful analyses on equalization and what Quebec gets from it. This is all I wanted to say on equalization.

To go back to my advice to the government, I would suggest to the Liberal government, in the light of the disastrous economic situation the Conservatives have imposed on us since 1990, not to revert to the dogmatic anti-inflation fight advocated by the previous government, as it seems determined to do.

I was very surprised and shocked to hear, before the holidays, that the finance minister was holding a press conference with Mr. Thiessen, John Crow's right-hand man and principal advisor at the Bank of Canada. I was very disappointed because it indicated to me, barring evidence to the contrary, that the current finance minister and even the current Prime Minister of Canada have long advocated a monetary, inflation-fighting policy maintaining a better balance between long-term price stability needs and short-term consistent job creation needs. I believed in them at one time.

I was very disappointed to see that the finance minister, in a pre-holiday press conference with the new Governor of the Bank of Canada, announced that, like his predecessor, he would wage a relentless fight against inflation. We do not have anything against fighting inflation per se but we are totally opposed to a relentless fight because, since 1990, we have lived through the outcome of such a relentless, dogmatic fight against inflation.

If the Liberal government is telling the truth about long-term job creation and economic recovery, and if the Liberals were telling the truth when they were in opposition and challenging John Crow's policy, this government should not renew this obsessive anti-inflation policy. Things are going rather well at the moment, in the sense that there has not been a surge in interest rates such as that caused by the Conservatives' anti-inflation policy in the early 1990s. But—this piece of advice is also directed at the hon. members opposite—as soon as the economy picks up, and I hope there will be strong economic growth in the next few months, there will certainly be upward pressure on prices. There is no doubt that if the Bank of Canada pursues its policy of controlling inflation at all costs and tries to keep it at two per cent, the chances of having a truly sustained recovery are reduced.

A mere review of Bill C-9 showed Bloc Quebecois members the carelessness and the incompetence displayed by the previous government. We do hope that you will not make the same mistakes. We also hope that this review of Bill C-9 will help you find a better solution.

Madam Speaker, we would like to see the Finance Committee do a clause-by-clause review of Bill C-9. As I said earlier, we would like to do an in-depth analysis, as the government did according to the hon. member, but in this case it would be a non-partisan exercise done by the Finance Committee. If we have the opportunity to do so, there are already two measures contained in Bill C-9 which we would like to see in the budget to be tabled soon. First, the clause on venture capital corporations for workers. Second, the extension of the Home Buyers' Plan, which enables taxpayers to use their RRSPs to buy a property for the first time.

(1910)

Madam Speaker, this concludes my comments. I thank you for your kind attention.

[English]

Mr. Randy White (Fraser Valley West): Madam Speaker, I am quite happy to be able to speak to Bill C-9 because it has some significant issues in it that should be addressed.

The bill has some nine amendments in it but they affect 21 additional sections within the act. This tells us that the complexity of the Income Tax Act today makes all of those things necessary.

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I would make one note. It is unfortunate that changes to one's income tax may be implemented by many things today. Even a press release can effect changes to one's income. Unfortunately without the proper legislative steps prior to implementing changes, the tax system becomes quite volatile and can be manipulated very easily.

I must start out by confessing to the House that I have mixed feelings about rising to address this bill. It enacts measures introduced by the previous Conservative government in its December 2, 1992 economic statement and its April 26, 1993 budget. These are obviously not new to Canadians.

On the one hand it would seem to be only prudent that we support what is generally referred to as a housekeeping bill. Much of what this bill enacts has already been policy for the past year or more and we are now just getting around to proclaiming it law. I would not pretend for a minute that it would be anything but irresponsible of us to oppose these measures merely on principle. On the other hand, I wish to make it clear that there are some principles here to which I am strongly opposed, as is my party.

The Income Tax Act has become an unwieldy monster symbolizing I suggest what many Canadians see is the problem with government in general: there is just too much of it.

As an accountant, Madam Speaker, I can assure you I am familiar with the act. I have studied it, worked with it and, yes, like everybody else, have had my problems with it in my day. I have burnt a lot of midnight oil in April trying to figure it out.

I want to assure my fellow accountants across this country that I am not advocating putting them out of work, but the act must be changed. It is time the average Canadian had a chance to understand not just the principle behind taxation but the mechanics of it as well.

The last attempt by the Conservative government to introduce tax reform led to an income surtax, an alternate minimum tax, tax deductions, tax credits and the complicated GST, all of which have further confused matters. It does not have to be this complicated.

Let me illustrate my point with a personal experience I had that I believe shows how this entire process has become symptomatic of a larger disease that is big government today. When I first began to look at Bill C-9 I was in my constituency office in Matsqui, British Columbia. My assistant had a copy of the bill here in Ottawa and I asked him how large it was. The answer was 68 pages. I thought 68 pages of amendments, how do I go through this in a week and try to figure all of it out. I asked him if he could find some kind of explanatory summary. He told me he had asked the Department of Finance for the summary and had received one very quickly. There was only one problem, the so-called summary of a 68-page document was 78 pages long.

(1915)

These are the kinds of little stories to which even those of us who are new to Ottawa have become immune. The people who have sent us here, the people who have to struggle through the tax forms every single year, the people who pay our salaries, are not immune to these little stories. They are sick and tired of them quite frankly. I believe that was one of the strongest messages sent to this House last October.

We could help our deficit problems by addressing the vast amounts of money this country wastes on sustaining an army of tax accountants and tax lawyers which is what one needs to interpret the Income Tax Act.

We could dramatically reduce costs for individuals' businesses and governments by simplifying the system. We should make it a priority. I would encourage the Liberal government to make it a priority. The Reform Party has it as a very high priority.

I would like to make it clear that there are some good aspects to this bill that we would like to see the government continue or improve on in its up and coming budget. For instance, section 146.01, the home buyers' plan, is a good example of that. I think members heard that from the previous speaker as well.

Young people today cannot afford to buy homes because they are paying too much tax. While total incomes per capita have increased 170 per cent in the last decade, total direct personal taxes have risen by 235 per cent.

How are we doing with respect to other countries? Canadian government revenues as a percentage of gross domestic product increased from 24 per cent in 1950 to almost 43 per cent in 1990.

Six years ago, the tax burden in Canada was approximately 20 per cent higher than that of the United States. In 1992 it had risen to 25 per cent and it is projected to increase to 30 per cent by 1997. It is not just young people who are feeling the tax burden. It is all Canadians today.

The home buyers' plan which allows those savings for a home withdrawn from an RRSP to make a good down payment is a good idea. It not only puts the dream of home ownership within the grasp of more people but it provides economic spinoffs all the way down the line.

Sue Bennett, one of my constituents from Langley, British Columbia, has sent me some information on the plan. I would like to go through it briefly. A poll released in September 1993 by the Canadian Real Estate Association confirms that the homeowner buyers' plan has been a big success.

The poll done by Angus Reid was conducted in five major Canadian cities. It found that four of five buyers who used the plan said it was an important factor in their decision. It was especially important for 86 per cent of the first time buyers. Accountants usually take it. If it is very close, we have to say it does not average. However, nearly half the people said it would have been unlikely they would have been able to buy their home

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without the plan. The plan helped a significant number of home buyers surveyed, 22 per cent of all first time buyers and 17 per cent of buyers generally.

Repaying their RRSPs is a high priority in this country. Eighty-one per cent of the respondents said that it is important to repay. Fully 88 per cent said that they would repay at least at the rate required by the plan and only 4 per cent said that they would not repay and would declare their withdrawals as income.

Therefore the impact of the plan is there. It is a positive plan. Home ownership was seen by 84 per cent of those surveyed as being at least somewhat important to retirement planning. Fifty-four per cent said that it was very important. Owning a home was rated by far as the most important source of income for retirement.

The Department of Finance has already reported that the numbers have been impressive. There were nearly 200,000 participants to the end of July 1993. It is significant.

Housing starts, as any economist will tell you, are a reliable indicator of the overall health of our economy. The housing industry directly employs as we know general contractors, carpenters, electricians, plumbers, dry wallers and real estate people among many others. Indirectly it benefits many other segments of society including, yes, even accountants. We are encouraged by such measures as the home buyers plan and, as I said, we are hopeful the new budget will include an extension of this popular program. Let us put more Canadian carpenters and plumbers back to work.

(1920)

We in the Reform Party support a taxation policy that has as its principle objective the raising of funds to pay for government programs. If we look at the history of the act that is what it was originally intended to do, collect taxes ideally, and that would be done in an orderly, simple fashion.

Somewhere along the line we have lost the original intent of the tax system and we have allowed it to become a tool to influence people's behaviour. I am speaking now of social reform creeping into a piece of the financial legislation. That is not only inappropriate, it does not work. We propose working toward a simple, visible and proportional system of taxation.

The Minister of Finance announced in a December 20 press release that a proposal by the Conservatives to pay the GST rebates twice a year instead of quarterly has been dropped from Bill C-9.

At a briefing earlier this week the minister's department informed me the reason the proposal was dropped is because it was found to be more economic sleight of hand on the part of the previous government and that it would have made the deficit look a little better to the Canadian public. To reject that type of sleight of hand is a sound decision and I am encouraged by it.

I have mixed emotions. I am extremely concerned by the new government's lack of commitment to change the way it handles its economic affairs; no concentration on the debt or the deficit.

We sit here today perhaps to give assent to an amendment proposed by the last government. I therefore cannot help but be cautious in my optimism. All of us in this House should not need reminding of the resounding message sent to the last government on October 25. We cannot allow ourselves to slip into those ways even in the slightest way.

I call on the government today to assure us it will give reform of the Income Tax Act the priority it deserves. This will show the opposition parties that the government is making good on its promise of the new way of doing business. It will send a strong message to the provinces that they should follow the federal government's lead. Most important of all, it will show the Canadian people there really is hope for a new way of running government. We cannot let fear of media or any other kind of pressure inhibit our effort to reform. We have to try.

In closing, I would like to take a moment to remind my colleagues in the House that there is a big, fast moving, exciting world out there beyond these walls. Even with my brief experience in this House, I am often amazed at how this simple fact gets lost in the daily shuffle of papers that this institution sometimes seems to be.

I would like to leave you, Madam Speaker, and my colleagues with a final thought. Failure is not fatal but in these times failure to change may be. Let us simplify. Let us be fiscally prudent and responsible.

[*Translation*]

M. Pierre de Savoye (Portneuf): Madam Speaker, I listened with great interest the remarks of our colleague of the Reform Party. It is obvious that Quebecers and Canadians as a whole have to deal with a level of taxation which is definitely very hard to support for the population, those who have a job and even those who do not have a job, given all the consumption taxes.

I remember preparing my first income tax returns years and years ago. It was a plain sheet printed on both sides and very easy to fill out. You would arrive in no time at a result that was not too frightening. But ever since, with all those schedules you have to deal with in order to be allowed various deductions, the whole process has become very complicated. There are so many

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calculations to be done and, in the end, the amount you have to pay is often horrifying. Which goes to show that more is not always better.

(1925)

There is a saying in English: No taxation without representation.

[*English*]

With that level of taxation, people have been represented to death. I think they gave their verdict about that in the last election.

[*Translation*]

The fact is that the government is still facing a deficit and has been for many years. It tried several solutions, but also systematically raised taxes. We could very easily draw the curve of tax raises and realize that as taxes were increased, the deficit went up. So, if there was a new tax hike coming, we could almost predict by how much the deficit would go up even further.

Perhaps we should find another way of using tax solutions to avoid increasing the deficit. You see, Madam Speaker, every time someone is paying taxes, they have less money left in their wallet. And if there is less money in their wallet, they are less able to buy things. However, some say that in order to have a recovery, the consumer must buy things. I hope the government will not take any more money from consumers, because they will be even less able to buy things.

Of course, we can also talk about expanding the tax base. And if we tax new fields, we will be in a situation where goods and services will become more expensive because, ultimately, businesses or individuals who will be taxed will try to compensate by raising prices. And we will perpetuate the situation that we have experienced for many years, here in Canada and in Quebec, that is an inflation one of the main components of which was our short-sighted vision on taxation. If the government tried to make money now by raising taxes, it would very quickly bring Quebec and Canada back into a situation where they would have an even greater deficit.

I would like the hon. member to respond and would be curious to hear his comments.

[*English*]

Mr. White (Fraser Valley West): Madam Speaker, much of what the hon. member said is so close to my philosophy I am wondering if maybe he would like to move over and talk about it.

It is very true about the complexity of this system. The system has become so complex that I do not think this government, nor did the Conservative government, knows the effect of a transaction when it changes the Income Tax Act. When we stand in the House and ask the questions: "Just how much does that cost" or "How much revenue will you receive", they are estimates. They

are estimates that can be out anywhere from \$100 million to a billion dollars. The system is so complex today that there is no logic, rhyme or reason as to exactly how much money one gets from changes in this act.

Just one other comment on the long-term effects. I think that is one of the real symptoms of the problem in the Income Tax Act. Today it is typically used as a quick knee-jerk reaction to try to try to resolve a problem. You are going to see that in the excise tax with the cigarette smuggling situation.

What we have to do is to get governments to start looking longer term. We do have to simplify the system. That is how to make it effective.

(1930)

Mr. Ronald J. Duhamel (Parliamentary Secretary to Minister of Public Works and Government Services): Madam Speaker, I want to ask my colleague a couple of questions very quickly.

I am not sure whether or not members of the Reform Party oppose the broadening of the tax base. I stand to be corrected, but I understand they would prefer not to have any more taxes added to those which exist.

Do Reform members oppose the broadening of the tax base? Do they oppose blocking the loopholes certain groups enjoy by transferring money to other countries where there are certain advantages? Apparently some wealthy families are able to shield income. There are corporations making money and not paying taxes and wealthy Canadians who have paid no taxes. There is the black market economy where people avoid paying taxes. Are they suggesting to the Minister of Finance and this government that they should not move in that direction, that they should ignore those particular measures? I am very much interested in the response.

Mr. White (Fraser Valley West): Madam Speaker, the major concern of Reformers is that broadening of the tax base to the government means more taxes. If the member is asking whether Reform thinks there should be more taxes on the individual, the answer is no, no, no. That will be heard more than once in this House.

I do not think the member's definition of broadening the tax base necessarily means equity in the tax system. My opinion is that once again it is going to come out of the pockets of the hard working, middle income earners and we will be watching for it.

Mr. Morris Bodnar (Saskatoon—Dundurn): Madam Speaker, the hon. member in his speech talked about tax and the most recent question was with respect to the broadening of the tax base. I would still like to know from the hon. member whether the privileged people in this country who have avoided tax for many years and accumulated not just some moneys but fortunes should continue to be exempt under the guise of no increased taxation.

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Mr. White (Fraser Valley West): Madam Speaker, I am having difficulty understanding who the privileged few are in this country.

This party is for a fair tax system, a simple tax system. The definition of privilege to the government is something similar to that of broadening the tax base. When I see its definition of privilege and broadening the tax base the member will get the answer.

Mr. John Bryden (Hamilton—Wentworth): Madam Speaker, I have been following this debate and I do not quite understand what the reply was. Perhaps I can define the question again or take a third try at it.

I would like the hon. member to tell me whether the Reform Party is for or against closing tax loopholes. Does he feel that the closing of tax loopholes is a broadening or an addition to the taxes?

The Acting Speaker (Mrs. Maheu): I am sorry but the period for questions and comments has expired.

(1935)

[*Translation*]

Mr. Pierre Brien (Témiscamingue): Madam Speaker, before I start my speech, I would like to comment on what was said by the hon. member for the Reform Party about simplification. Of course there is a case for simplifying the entire tax system, and I am referring to income tax returns as well as tax shelters, but I do not think we can agree on everything, and there are other options that should be considered very carefully.

Bill C-9, An Act to amend the Income Tax Act, has an aspect that may be somewhat odd, I suppose, for members on the other side of the House. In fact, we are legislating measures that arise from the last budget. I am not sure, and I did not go through *Hansard* to see what the reaction was to these measures when they were announced, although it might be interesting to do that, but now, they have no choice, and neither do we. These measures must be enacted. This legislation will implement measures which in fact businesses were able to take advantage of all last year. Legally, these measures had not been adopted, but they will be in the weeks to come, which will more or less finalize what was announced in the last budget. These are very technical aspects.

However, there are also some principles involved, and we could do a repeat of last year's budget debate, but we cannot really affect the outcome. The fiscal year will end in a few months, and by that time we will have a new budget, in a matter of weeks even, and there are rumours it might be in less than two weeks. At that time we may have something more interesting to discuss.

Nevertheless, there are a number of comments we would like to make about the last budget and the measures arising from that

budget, in a final attempt to influence what will be in the next budget, and especially in next year's budget, because the Minister of Finance is already saying they will not have time to put everything they want in this year's budget and that it will have to wait until next year.

Whether that is the real reason, who knows? I think they are hoping for a strong economic recovery and that they are overestimating the positive impact of economic growth on the deficit, despite all the nice speeches by the Minister of Finance and despite his good intentions. He said that he would not repeat the mistake of the past, the mistake of the Conservative government in overestimating revenues. We can see from last year's budget that spending was grossly underestimated, and the Liberals say they will not do that. As far as revenues are concerned, I can tell you that we will be watching closely.

The dozen or so measures contained in this Bill were announced in the December economic statement and in the budget last May. The rest is made up of changes to the wording of the law. All that is very complex, given the number of areas covered by the Income Tax Act, and with time we even get conflicting clauses, but I will come back to that.

These measures were meant, to a great extent, to stimulate small and medium sized businesses. That was really the target sector. There was also something for research and development, and finally measures concerning exploration for natural resources.

That budget had extended for another year the use of registered retirement saving plans for home buying. This is a good measure which we hope to find again in this year's budget for application next year.

I heard some members say that representations were made by some of their constituents showing that this particular measure had a positive impact. Obviously this is a kind of measure which is easy to evaluate, and that is interesting.

I will conclude, not on the basis on my speech but on that of the proposed measures, that the government will have to do better in the future.

(1940)

Last year's budget was very disappointing. It seemed as though the government wanted to preserve maximum flexibility so that the next Conservative Party Leader would have the leeway to adapt it at will. Maybe that was not a good idea. I do not believe that, in these difficult times, we can postpone for a year, not even for a few months or weeks, our fight against the deficit nor efforts towards better management of public funds. It seems we have wasted a year and that is very disappointing.

What do we expect from the next budget? A decrease in expenditures, naturally; but we also hope it will propose a complete tax reform. We have heard nothing along that line yet. We feel as though we were preaching in the wilderness. We

cannot wait for the government to announce even a slight intention of addressing that issue, of reviewing our very complex personal and corporate tax system. Such a measure would increase the confidence of Quebecers and Canadians alike in their taxation system and thereby, their confidence in their representatives and institutions.

We expect a simplification of the process. As my colleague, the member for Portneuf said: very few people can prepare their own income tax return. It is not an easy task to read the Tax Guide; even the one you receive with the short form is quite exacting. Just think of the elderly; it is not easy for them. Even if we prepare specific short forms for senior citizens, it remains too complex.

There are many measures that could benefit people who, unfortunately, do not understand them. They do not know that they apply to them. They are ill-equipped to use the tools they are told could be of benefit to them. They hear about them from a friend or a colleague, but more often than not, they ask an expert, such as an accountant, to prepare their income return for them. These people do not tell them what they should do to improve their financial situation and personal planning. It is very complicated and that is the reason why very often new tax measures bear more heavily on the middle-class since it is having a difficult time adapting rapidly to changes or even understanding quickly the tax system.

Those who can benefit fully from it are the most wealthy, which causes people to say that the system is unfair. You do not have to go very far. We all have heard, at one time or another, someone in our riding say that the system is unfair, that the rich pay less taxes. Even if there is a trend, statistics show that, on the whole, it is not true; of course there are exceptions, and even a few are already too many. They create a lot of discontent.

Let us look more closely at the dozen of provisions contained in the bill. The first one is interesting to look at and study from the following point of view. On this side, we often talk about overlapping jurisdictions. But we forget to mention interdepartmental co-operation, a very complicated issue. The Auditor General mentioned it and pointed at a lot of things that could be improved. The government is doing something with one hand and doing something else with the other that reduces the effect. In last year's budget, this first measure said that unemployment insurance premiums would be reduced as a way to create more jobs and to encourage businesses to hire more people. This year, it was already announced that unemployment insurance premiums would go up at the beginning of January. In the same year, they give with one hand and take with the other. People have trouble getting a clear message from that. There is something very contradictory. In the same fiscal year, there was a

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change of government, but the policy orientation is hard to grasp. I am the first one to say so. Why did they do that? We suppose that they took the money to finance the infrastructure program. That may be a reason or it may be to finance something else as well. But I have trouble understanding why with all those resources and so many competent people around, we find ourselves in situations where contradictory measures are taken, not by the same government but by the same level of government. To be sure, we can understand that in some cases the federal and provincial governments act differently, since they do not always share the same policy orientation, but it is very hard to accept the same level of government acting in a way that contradicts itself.

(1945)

There are also temporary investment tax credits for small business. The temporary nature of this measure—

Madam Speaker, would you please ask hon. members to—

The Acting Speaker (Mrs. Maheu): Order, please. If the hon. members wish to pursue a conversation, I would ask that they do it outside the Chamber. The hon. member for Témiscamingue may continue.

Mr. Brien: Thank you, Madam Speaker. Our friends would do well to listen. When the subject is taxation, we have the impression that they are no longer listening, that they are afraid—

Mr. Duhamel: I am listening.

Mr. Brien: Indeed, there are some—and they deserve full marks—who listen closely.

Mr. Duhamel: We listen quite religiously.

Mr. Brien: Indeed, and I am even expecting some questions.

Let us continue. Another measure, one of a series of very technical measures, is the extension of the small business financing program under which a small business in financial difficulty may refinance its debt. This measure, which provides for a different tax treatment, is very interesting for businesses as well as for financial institutions.

Another measure provides for the abolition of the penalty tax. How ineffective can this be. The penalty tax on excess small business properties held by RRSPs and registered retirement income funds is repealed from October 31, 1985. It is not important to understand the technical aspects of this measure—

[*English*]

The Acting Speaker (Mrs. Maheu): Order. Could members please, if they must speak, do it outside the Chamber. I have trouble hearing what the hon. member is saying.

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[Translation]

Mr. Pierre Brien (Témiscamingue): Thank you, Madam Speaker. I am happy that you have trouble hearing me as it shows there is at least one person listening besides my colleagues, or two persons I should say.

The technical reason for this measure abolishing something retroactively to 1985—not the technical reason but the actual principle—is that it could not be implemented in real life. It was too complex to manage. It took eight, almost nine years to put in place this measure and the revenue department could not make it work. It is very hard to understand. Why did we wait so long and what happened to the money given to debtor businesses that could not be recovered? All this remains to be seen and we will ask questions when this bill is reviewed by the finance committee.

Another measure that we wish to see extended further in the future is the home buyers plan. This is a valuable measure with a stimulating effect on the construction industry. It allows individuals to buy a home, which is desirable. The bill provides for tax incentives and ways of doing things in terms of taxation which are very positive. When we talk about reform, we are not suggesting that everything about the present tax system is wrong. Some aspects of it are more positive than others, and this is one of them.

Two measures regarding flow-through shares and exploration expenses were included in an attempt to repair the mistakes made by the Conservatives when they axed the flow-through shares program. The Quebec government had jumped on the band-wagon and I can tell you that it had disastrous consequences in my region.

In 1987, the unemployment level was about 7 per cent in Abitibi-Témiscamingue. Today, we would call that full employment. In the beginning of the 1980s, full employment was fixed at about 4 per cent, but we must adjust this figure. After two recessions, one in the beginning of the 1980s and the second one ten years later, the unemployment level is now higher. Our economy was thriving. There was indeed abuse. As with everything else, there are some who take advantage of good policies. That is what happened and that is why we had to make drastic cuts.

A popular expression applies here: we threw out the baby with the bathwater. It could have been possible to correct the situation with a few technical amendments. We tried to make up a little for this. These measures are interesting, but a lot less, and it is not the main concern of the Association des producteurs et des exportateurs. I can tell you that the former incentives and flow-through shares plan were much more interesting than these measures.

There is another measure that must not be considered only in this light because one has to dig a little to put it in perspective. It is important since it is closely related to a suggestion made by the Bloc Québécois, and which, hopefully, the government will study one day.

(1950)

It provides for a maximum annual investment tax credit. This credit will be eliminated. Before, businesses could use this credit up to a maximum of 75 per cent. They could reduce their benefits by 75 per cent, so why not totally eliminate them and not to have to pay any tax?

It will now be possible. This has to be considered along with another measure from the previous year, namely a capital tax to ensure that most businesses pay a minimum of taxes. Where there may be a problem, although we have to be careful and examine this issue in a much more technical and thorough fashion, it is with this capital tax of .02 per cent which applies only to a capital amount of \$10 million or more. Do businesses with a capital of \$5 to \$10 million deserve this break? This is a good question which we must ask ourselves. It must at least be raised, but it should be examined and I hope it will be when the Finance Committee will look at this piece of legislation.

The other two measures were aimed at promoting research and development, and at ensuring the payment of tax instalments. The amount has been raised to help more people.

This bill is exactly identical to the one tabled by the Conservatives following their budget, except for the change to the GST refund. I do not object to the fact that it is so similar to the previous piece of legislation. What I am saying is that there is only one change. There will still be four quarterly payments, which is a good thing, and which also enabled the previous government to change somewhat the record keeping and underestimate the deficit. Now, it has the opposite effect with the new government, which uses it to slightly overestimate the deficit.

This is certainly not a major change. Some like the idea of four payments, others would prefer two, but in terms of public finances as a whole, this is of no consequence. It is essentially a cosmetic change.

Finally, there are two things about taxation and fiscal policy that bother me. These measures often target small businesses. Earlier, I heard an hon. member talk about the importance of the people and of the rural communities. I urge him to carefully consider the situation of the small and medium sized businesses, because there must be some in his riding too.

These businesses have a lot of trouble dealing with a very complex tax system. If the system is complicated for the individuals, it is even more so for small and medium sized businesses, who completely rely on an accountant or an analyst of their acquaintance for advice, even though it is not always in their best interests. They are told about temporary one-year

measures, but they are unable to assess quickly enough the benefits they can derive from these measures.

They do not take full advantage of the measures. The government should put in place a simpler mechanism, easier to understand, particularly in the area of research and development. There is not enough R and D done in the private sector in Quebec and in Canada. With all the economic changes that are occurring, the level of R and D in the private sector will have to increase. The government will have to encourage these people to get into R and D. However, they need about eighteen months before there are any significant results. I can tell you, Madam Speaker, that we have excellent tax incentives, the best in the world in some areas, but they are not well understood by businesses and they are very difficult to use.

Obviously, pharmaceutical companies understand them well and use them well. They are doing very well in Quebec. But in other areas, companies are not even aware of the tax incentives that exist. The Department of Industry, Trade and Commerce has a program, the Department of Finance has another program, there are just too many programs. Businesses have trouble finding their way through the maze of programs. They have to look at all the possibilities and it takes time. It is not only the GST that costs businesses a lot of money. There is also the cost of trying to understand all the government support programs. It can be very difficult, particularly for small and medium sized businesses.

I am about to conclude. Fiscal measures should always be evaluated as to their fallouts and costs before being announced. In economic jargon, it is simply called a cost-benefit projection. Then, results can be made public. This is rarely done and it is easy to understand why. When facts are published, the people can evaluate how good their government is. Thus, I hope that for the sake of openness this government will do more than its predecessor on this. The Minister of Finance has often promised to do it and his colleagues should press him to deliver.

(1955)

To conclude, we will carefully monitor these measures and the upcoming budget. That is when it will truly start. And if this government does not want to end like the previous one, it should take a completely different approach.

Mr. Ronald J. Duhamel (Parliamentary Secretary to Minister of Public Works and Government Services): Madam Speaker, I wish to thank my colleague for his speech. First, I want to assure him that our approach is totally different.

I have four quick questions for him. First, since some Canadians took certain decisions in response to budgetary measures

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announced by the previous government—I insist on that point—I would like to know if, yes or no, the Bloc Québécois agrees with the Bill.

Second, you heard the members of the Reform Party say in this House that they oppose all taxes. They said: “No taxes, no taxes, no taxes,” even for wealthy corporations or individuals who benefit from tax shelters. I would like to know the position of your party on that subject.

Third question, I would also like to know whether the Quebec income tax guide and forms to be filled out are really different and more complex than the federal ones. I take that question at heart and no doubt you know the answer.

Finally, the member spoke about small and medium-sized businesses and indicated that one of the things that bothered them—and I want to make sure my colleague understands this last question since it is probably the most important—was the complexity and large number of regulations and so on. But he did not mention access to capital. At home, in St. Boniface, that great place at the geographical centre of Canada, we are mostly interested in access to capital for small and medium-sized businesses.

Maybe he can make very short comments on my four questions, answering by yes, no, or maybe.

Mr. Brien: Madam Speaker, I would like to thank the hon. member for St. Boniface for his questions and especially his last point, which I will comment, but only after I have answered his questions in sequence.

First of all, the hon. member asked whether we agree with this bill. As a matter of fact, it will pass at second reading whether we agree or not. We will support the principle of this legislation, but we will examine the bill clause by clause in committee and ask very specific questions. Third reading will come afterwards. That is the way it goes. This bill will be referred to the Finance Committee, a committee which always has a busy schedule, but it will only be one more piece of legislation on a heavy agenda.

Now he wants to know what our position is compared to the Reform Party's. I think I see what he is getting at. Do we consider that reducing tax shelters is different from raising taxes? I think that was the thrust of his question.

There could be a difference, except that, on the whole, we are collecting more revenues. One day, we will have to agree on a definition of tax increase. Traditionally it means increasing the consumption and income taxes. Can we say, however, that reducing tax shelters and fiscal incentives is in effect a tax increase? This is debatable, but the results are the same: more revenues for the government.

Government Orders

In some instances, we will agree with a given tax shelter; in others, we will not. We will study them one by one.

If we compare the tax returns for Quebec and for Ottawa, we see that they are both complex, because there are two governments involved. That is very important.

In Quebec, Mr. Yves Séguin tried very hard to simplify the tax returns, but there is still a lot to be done. We often talk about administrative overlap, but there is one thing that drives people crazy. Let me assure you that Quebec's sovereignty will have a great benefit in people's daily life, if only for the fact that they will only have one tax return to fill.

Overall, the figures may not change much, but it would be a lot simpler. The individuals will feel better, as will the businesses, and that will be a great step forward, one we have never been able to take so far.

We will not have to hear a lot of rhetoric about harmonization all year long, without ever achieving it.

In closing, I want to speak about access to capital. I tell the hon. member that we will have to see what the government will do. The federal and the provincial governments tend to offer more and more assistance programs to businesses, including the business development centres. There are even regional investment funds. We hear people talking about putting more pressure on financial institutions, but what will happen?

[English]

The Acting Speaker (Mrs. Maheu): It being eight o'clock p.m., the House stands adjourned until tomorrow at ten o'clock a.m., pursuant to Standing Order 24(1).

The House adjourned at 8 p.m.

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