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Tuesday, February 22, 1994

Speaker: The Honourable Gilbert Parent

HOUSE OF COMMONS

Tuesday, February 22, 1994

The House met at 10 a.m.

Prayers

ROUTINE PROCEEDINGS

[English]

IMMIGRATION ACT

Mr. Derek Lee (Scarborough—Rouge River) moved for leave to introduce Bill C-219, an act to amend the Immigration Act (visitors' visas).

He said: Mr. Speaker, I am very pleased to present this bill amending the visitor visa provisions of the Immigration Act. The bill was presented in the past Parliament.

The bill would permit the Canadian relatives of visitors to place a surety with the Government of Canada prior to the application for visa by the non-Canadian visitor.

At present Canadians have no role in this process. I believe, as do others, that their participation in the process by means of a surety would enhance the prospects of the visitor obtaining a visa and enabling the visit to take place.

The bill specifically provides that the absence of such a surety will not be considered by visa officers so as not to prejudice all others who are applying for visas who do not happen to have relatives in Canada.

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

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BUSINESS OF THE HOUSE

Mr. Peter Milliken (Parliamentary Secretary to Leader of the Government in the House of Commons): Mr. Speaker, I have three motions I propose to put to the House with unanimous consent. I move:

That, if a recorded division is required during the budget debate on Thursday, February 24, 1994, the said division shall be deferred until Tuesday, March 8, 1994 at 6.30 p.m.

(Motion agreed to.)

Mr. Milliken: Mr. Speaker, perhaps to save time I will read the next two motions and then they can both be put because I think there is agreement with respect to each. I move:

That, during the adjournment of the House from March 25, 1994 to April 11, 1994, if any appropriation bills that have been passed by the House have not yet been granted royal assent, the Speaker shall be empowered to recall the House for the sole purpose of attending the granting of royal assent to any bills, after which the House immediately shall be adjourned until April 11, 1994;

That, in the event of the Speaker's being unable for any reason to act for the purposes of this Order, the Deputy Speaker, the Deputy Chair of Committees of the Whole House or the Assistant Deputy Chair of Committees of the Whole House may act for him.

(Motion agreed to.)

Mr. Milliken: I move:

That, notwithstanding the Special Order of February 15, 1994, the division on Government Order, Government Business number 8 shall be held on Wednesday, February 23, 1994 at 3.00 p.m.

That defers the division today, Mr. Speaker, from three o'clock until Wednesday at the same time.

(Motion agreed to.)

* * *

(1010)

[Translation]

PETITIONS

SOCIAL HOUSING

Mr. Benoît Tremblay (Rosemont): Mr. Speaker, I have the honour this morning of presenting a petition signed by close to 300 residents of my riding of Rosemont. They call on the government to reinstate budgets for social and co-operative housing and denounce the federal government's plans to increase subsidized rents by 20 per cent.

In the riding of Rosemont alone, more than 1,000 families are on the waiting list for social housing whereas all budgets have been frozen.

As you undoubtedly know, Mr. Speaker, the Régie du logement du Québec, taking into account overall housing costs, has authorized the private sector to increase rents by only .5 per cent to 1.1 per cent this year. It would be ridiculous if the public

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sector, which has a responsibility to protect the least fortunate, were to authorize rent increases of 20 per cent.

With the budget only several hours away, my constituents in the riding of Rosemont call upon the Minister of Finance to uphold the commitments he made during the last election campaign. It is vital that he dispel any uncertainty weighing on the least fortunate and that he restore decent funding for the construction of new social housing units.

IMMIGRATION

Mr. Jean-Paul Marchand (Québec-Est): Mr. Speaker, I have the great honour to present a petition signed by a few thousand residents of my riding of Québec-Est and several other areas of Quebec.

The petitioners ask Parliament to urge the minister of immigration to reconsider his department's decision to deport the Maraloi family of Vanier and to allow the family to remain in Canada where, after three years, they feel completely at home.

I give my unqualified support to this petition and urge the government to act on it.

[English]

VIOLENCE

Mr. Ronald J. Duhamel (Parliamentary Secretary to Minister of Public Works and Government Services): Mr. Speaker, I have a petition wherein the petitioners point out that there is an extreme amount of violence on both radio and television. They deplore the fact that violence is portrayed by the use of foul language or physical acts and is in fact appearing in an increasing kind of way.

The petitioners ask that the Parliament of Canada ensure that the CRTC recognizes the need to enforce standards pertaining to all forms of abuse, including the use of foul language and excessive violence in all of its forms. They point out that if it is not done, their efforts to raise the family in a sound environment is in fact undermined.

* * *

QUESTIONS ON THE ORDER PAPER

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

The Speaker: Shall all questions stand?

Some hon. members: Agreed.

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[Translation]

EXCISE ACT

Hon. David Anderson (Minister of National Revenue) moved that Bill C-11, an act to amend the Excise Act, the Customs Act and the Tobacco Sales to Young Persons Act, be read the second time and referred to a committee.

He said: Mr. Speaker, I am happy to rise today to speak in favour of Bill C-11. As Minister of National Revenue, I have a responsibility to do all I can to maintain and protect the integrity of the Canadian border and to ensure that Canadian tax laws are respected. For these reasons, I have been deeply affected by the dramatic increase in smuggling.

Some people still argue that it is a regional problem and that the federal government's four-point program to fight smuggling and tobacco use only hinges on regional interests. That is totally false.

The growth of the smuggling trade in Canada, especially tobacco smuggling, is a national problem requiring a solution at the national level. Let us look at the facts.

Contraband tobacco amounts to some \$5 billion or about 40 per cent of the \$12.4 billion Canadian tobacco market.

(1015)

This means that about \$1.6 billion worth of contraband cigarettes are sold in our communities, on our streets and in our schools every month. As a result, unfortunately, our young people who want to start smoking now have practically unlimited access to cheap contraband tobacco. This situation clearly undermines the federal and provincial governments' efforts to discourage tobacco use through high prices.

[English]

This means that smuggling is undermining both federal and provincial efforts to discourage smoking. Unfortunately the problem we are facing today does not stop there. Smuggling has cost the federal treasury approximately \$1 billion in the last fiscal year. It cost the provincial treasuries another billion dollars in the past year.

These are direct losses that cannot be recovered, but these revenue losses have been increasing sharply in recent months. Smuggling is therefore, in my opinion, undermining our fiscal situation and our social programs at both the federal and provincial levels. The problem is growing. This problem is intolerable.

Revenue losses are not the whole problem. Because the smuggling trade is increasingly run by organized crime and according to enforcement agencies organized crime now

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controls most of the \$5 billion tobacco smuggling trade, literally billions of dollars are being funnelled out of the hands of Canadian citizens and into the hands of criminals who also ply their illegal trade in alcohol, paramilitary weapons, drugs, immigrants and other contraband products.

[*Translation*]

In a nutshell, the only beneficiaries of the current situation are the gangs of criminals who sell drugs in our schools, arm our offenders and destabilize Canadian society. The losers are the majority of Canadians who obey the law, pay their taxes and want to live without fearing for their safety. The situation keeps getting worse.

Smuggling also has a detrimental effect on law-abiding small merchants; it is pushing these people to the brink of bankruptcy. In short, smuggling penalizes Canadians who want to earn an honest living.

Smuggling undermines the rule of law in this country and hampers the government's efforts to reduce tobacco use, mainly among young Canadians. It also robs federal and provincial finance departments of important revenues.

As the Prime Minister said two weeks ago in this House: "We are dealing with a problem of law enforcement and organized crime, with health issues, with federal-provincial relations—"

[*English*]

Yet despite the wide ranging breadth of the issue and the impact it is having on our communities, on our social system and on respect for the law, there are still those who argue that it is a regional problem. These people point to the province of Quebec and say: "They have a problem but we don't". The evidence simply does not support such a simplistic position.

Let me go over some of the statistics for members. It is true that the smuggling problem is currently most acute in Quebec where it has been at least until very recently. It is also true that it has grown and was growing in that province. It has been growing alarmingly in every other province of the country.

I ask hon. members to consider the facts. The market share of contraband tobacco was estimated at only 9 per cent in Quebec four years ago. Today contraband represents an estimated 60 per cent to 65 per cent of the Quebec market.

(1020)

Contraband tobacco represented about 12 per cent of Atlantic Canada's tobacco market in 1990 or four years ago. Today contraband constitutes approximately 40 per cent of that market. In 1992, only two years ago, contraband tobacco repre-

sented 13 per cent of Ontario's tobacco market and today it represents close to 35 per cent.

In the west where the smuggling problem is clearly less acute at the moment, contraband tobacco accounted for only 9 per cent of tobacco sales a little more than a year ago. However today contraband tobacco in western Canada has increased to 15 per cent of the market. That in terms of growth is a 60 per cent increase in one year.

It is perverse to continue to view this problem as a problem of only one province. There is an obvious trend to which members and the Canadian public must pay attention. Whether one lives in the maritimes, in Ontario, in Quebec or in the west, smuggling is growing at a rapid rate across the country and has become a national problem.

I will now deal with lessons to be learned.

[*Translation*]

First, inaction is not a solution. It is no longer possible to ignore the problem. Obviously, if we do not take energetic measures now, the amount of contraband tobacco in our communities will continue to grow and organized crime will continue to grow rich from the illegal profits.

The former Conservative government let the smuggling problem grow to such an extent that the present government cannot tolerate it today. Our government refuses to look away and pretend that the problem can be solved by half-measures. We also refuse to pretend that the smuggling problem affects only one region of the country.

Smuggling is a national problem, so the solution must also be national in scope. We must take strong measures now. We cannot allow cheap smuggled tobacco to continue to come into our communities and into the hands of young Canadians. We cannot allow the rule of law in this country to continue to be flouted. I repeat: inertia and half-measures are not realistic solutions. That is why today I support Bill C-11, an act to amend the Excise Act, the Customs Act and the Tobacco Sales to Young Persons Act.

The proposed amendments support the government's four-point initiative to fight tobacco smuggling and use. With these amendments, we will give Canadian police authorities additional legal powers to fight smuggling. We will also improve the government's efforts for young people's health.

Taken together, the amendments tabled in the House will help establish the integrity of Canadian laws and the Canadian border and, perhaps most important, stop the increase in smuggling in regions of the country where it has not yet reached disturbing levels.

[*English*]

Therefore the first amendment in the bill applies to the Excise Act. It will effectively increase the resources that can be brought

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to bear in the fight against smuggling. It will do so by allowing the government to give to police forces other than the Royal Canadian Mounted Police the authority to enforce sections of the Excise Act that allow for the seizure of tobacco, alcohol and vehicles used in illegal smuggling activities.

(1025)

The government will be able to provide provincial police forces—in particular the Sûreté du Québec and the Ontario Provincial Police but also municipal police forces—as appropriate with the additional legal tools they need to combat smuggling and the organized criminals who control the smuggling trade. This means there will be a substantial increase in the level of police resources working with the federal government to put an end to smuggling.

Second, the proposed amendments to the Customs Act and the Excise Act will provide police forces with the authority to destroy certain seized products without hindering the ability of authorities to carry out prosecution successfully. This reduction in the storage of contraband will save Canadian taxpayers over \$200,000 a year by eliminating the storage costs of the property seized.

Third, we have a proposal to amend the Excise Act in order to clearly stamp individual cigarettes on which taxes have been paid. I might add that while there may be some technical questions yet to be determined, it would also be possible to mark individual cigarettes that are in duty-free shops or individual cigarettes which have been exported. We will have a differential ability to have individual cigarettes marked to indicate what particular taxes have been paid on them. This will allow law enforcement agencies to identify more easily those smoking contraband tobacco products.

Fourth, we have two proposed amendments to the Tobacco Sales to Young Persons Act. The first will make it illegal for tobacco manufacturers to package cigarettes in packages containing fewer than 20 cigarettes. This will effectively kill the so-called kiddie packs of six or a similar number of cigarettes.

The second amendment to the Tobacco Sales to Young Persons Act will prohibit the importation of tobacco products into Canada by a person under the age of 18. This is complementary to other measures that will be taken internally to reduce the possibility of possession of tobacco by people below that age.

As a result of these two measures and other provisions young Canadians should find it greatly more difficult to obtain tobacco products.

[*Translation*]

The four-point plan to fight smuggling and tobacco use is a comprehensive action plan which deals with the whole smuggling problem, and Bill C-11 is an integral part of this plan. It

deals with the need for tougher enforcement in the fight against smuggling. It deals with the need to get rid of organized crime which controls smuggling activities. It also deals with the need to protect the health of young Canadians. In short, Bill C-11 is an integral part of the government's solution to a national problem.

For these reasons, I ask the House to support the passage of Bill C-11.

Mr. Antoine Dubé (Lévis): Mr. Speaker, as the official opposition critic for training and youth, I welcome this opportunity to present the position of the Bloc Québécois on Bill C-11, an act to amend the Excise Tax Act, the Customs Act and the Tobacco Sales to Young Persons Act.

As youth critic, I intend to address those provisions of the bill that are aimed at reducing tobacco sales to young people, because smoking is a very serious problem among young people, and is probably one of the worst threats to the health of young people today.

In fact, according to a study carried out in 1992 by Health and Welfare Canada, 38,000 Canadians die each year of smoking-related diseases. From 80 to 90 per cent of all cases of emphysema and bronchitis are caused by cigarette smoking. I say this because we often think of lung cancer, but there are other diseases as well. Thirty per cent of young Canadians and Quebecers are smoking today, about the same proportion as for adults. It is a problem that is not going away.

(1030)

In 1989, it was estimated that young Canadians between the ages of 12 and 19 spent more than \$436 million on cigarettes, and that amount is even higher today. Ninety per cent smoked regularly, and by regularly I mean every day. Fifty-eight per cent of young smokers had from 11 to 25 cigarettes daily. Seventy-five per cent of teenagers who smoked developed the habit before the age of 17, and the average age at which they started to smoke—surprisingly, this figure is going down—was 13, in other words, they started smoking when they were 13 years old.

Other studies have shown that a gradual decrease was reversed in 1989, when smoking by young people started to increase. The age at which young people smoke their first cigarette has continued to go down. In fact, according to the National Clearing House on Tobacco and Health, between 1965 and 1989 smoking by young people in the 15-to-19 age group dropped from 55 per cent to 21 per cent among males and 37 per cent to 21 per cent among females. That was the good news. However, since 1989, 23.8 per cent of all students surveyed said they smoked daily, and the percentage was about the same for both girls and boys. Smoking increased considerably in 1991 and 1993 among students, especially students in their first year

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of high school, rising from 6.1 per cent in 1989 to 9.4 per cent in 1993.

Furthermore, according to several studies conducted by the National Clearing House on Tobacco and Health, there is evidence that links poverty, unemployment, smoking, alcoholism and drug addiction.

Education is also an interesting factor to determine the population most likely to engage in such activities. Still according to the National Clearing House on Tobacco and Health, 34 per cent of individuals aged 15 and over smoke, as opposed to 18 per cent of people with a university education. Thirty-six per cent of the poorest members of our society smoke, as opposed to 25 per cent of the wealthiest members of that society.

The economic measures put in place by previous governments in Canada since 1984 have had a negative social impact by increasing poverty among Canadians. Young people have been particularly affected by these measures. In 1990, 40 per cent of young Quebecers were living in poverty. Today, youth unemployment in Quebec has reached nearly 20 per cent.

However, I doubt that the figures I just quoted shed enough light on the real causes of smoking by young people. I believe more research is necessary for a more thorough analysis of a phenomenon that is constantly changing. We have every reason to be concerned about the future health of our young people and the burden on our health system.

It should come as no surprise to hon. members that the Official Opposition supports adopting measures to restrict tobacco consumption in general and by young people in particular. It should be a foregone conclusion for any political party that is concerned about public health. However, we do have a number of questions about the bill before the House today and these concern its chances of succeeding if the legislation is not properly enforced or if no effective measures are taken to achieve the bill's objective.

There is, first of all, the matter of the government's timing in tabling Bill C-11. It should be noted that this bill was tabled in the House of Commons two days after the Prime Minister announced, on February 8, various measures including tax reductions to fight cigarette smuggling.

(1035)

We would almost think that, all of a sudden and off the cuff as we see it, this government was trying to give the impression it could solve every problem related to tobacco use.

Why did it wait until February 8 to put into force the Tobacco Sales to Young Persons Act adopted by the House of Commons in third reading on February 12, 1993? That was a year ago, Mr. Speaker.

Another fundamental issue is the will or capacity of the federal government to enforce its legislation respecting tobacco use.

This concern flows from this government's apparent reluctance to fight propaganda and incapacity to react to this rising problem. Other pieces of legislation also come to mind.

In an article published in *Le Soleil* on February 13 last, we learned that, over a four-year period, the federal government had not imposed a single fine under its Non Smokers' Health Act, an act to regulate smoking in its own buildings, and this in spite of innumerable complaints and no less than 102 violations reported during the first three years of operation of this act. Not one of the violation notices resulted in fines. The only action actually taken seems to have been to hand out warnings.

As members of the Official Opposition, we are fully prepared to contribute to the legislative process, but the government still has to enforce not only the legislation Parliament passes from now on, but also legislation passed previously.

It would be interesting to know what steps the government intends to take to ensure compliance with certain provisions of Bill C-11, including those relating to the requirement to stamp all tobacco products individually and the manufacturing and sale of cigarettes in packages containing fewer than 20 cigarettes. All this is fine. It is one thing to say you want to do something, but how will you go about it? That is a very important point, as far as I am concerned. How will the sale of individual cigarettes be controlled? Cigarettes are very small and easy to hide. How will the age of the buyer be ascertained? Will ID cards be required? How does the government intend to check the age of cigarette buyers? As we know, since old Bill C-111 became law, the legal age is 18. But you still have to check the ID card, the age of the buyer. Of course we are wondering about the number of people who will be assigned to enforce the law—the minister touched upon the subject—as well as the costs involved.

It is very important to get an answer to these questions because it relates to a central aspect of this legislation, namely its enforcement. Incidentally, the minister did mention enforcement at the beginning of his speech.

Also, we think that this legislation should be coupled with positive measures to warn young people of the dangers of tobacco use and encourage them not to smoke. We must beware of the possible boomerang effect of a repressive approach on the young in that area as in any other in fact. Several educational

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experts have said repeatedly that young people trying to grow up and assert themselves could be attracted by the “forbidden”, in which they see a challenge.

I have recently consulted a number of young people and I am convinced that, as far as stringent measures to restrict the use of cigarettes among young people are concerned, they could be construed as a form of provocation, thus inciting young people to go against this restriction.

(1040)

We must help our young people to become more responsible, not marginalize them even more by taking only traditional, repressive approaches to problems.

This bill, which would restrict access by young persons to tobacco products, should not be a reason for us to forget that young people experience drug and alcohol problems on a daily basis. According to Statistics Canada, 12 per cent of our young people have serious drug addiction problems.

The range of illegal substances available in high schools boggles the mind. On February 19 last, *La Presse* reported in an article that high school students can purchase chemical substances such as PCP for a mere five dollars per unit right on the school premises. Pushers offer to sell drugs to children often as young as 12 or 13 years of age, and the impact on their health and on society is devastating.

As is the case with smoking, young persons who start to use drugs early in their teens are much more likely to still use drugs as adults. However, drugs are not the only products that are easily accessible to young people. Alcohol is also readily available to them.

In another article which appeared in *La Presse* on February 20 last, it was reported that teenagers can easily buy beer at the corner store. The article is based on the findings reported in a study involving high schools students aged 16 and 17 in Montreal, and 18-year-old students in Toronto. Students in this age bracket visited about one hundred convenience stores and in 85 per cent of the cases, merchants sold them alcoholic beverages without asking for any identification. Mr. Speaker, this is terrible!

Clearly, not everyone is complying with the legislation governing the sale of alcohol to minors. Must we wait until the same thing happens with the Tobacco Sales to Young Persons Act?

We have said it before and we will say it again. We are not opposed to the passage of Bill C-11. What we are concerned about is how the legislation will be enforced.

Moreover, we must not be seen as sending a negative message to our youth. Considering that in the speech from the throne, the government announced plans to amend the Young Offenders Act, young people could possibly see in this legislation a message that society views them as the cause of the problem. In

my opinion, young people represent the future, indeed, our future. It is up to us to ensure that the proposed measures are viewed in a positive light.

I have another question, this time pertaining to section 66 of the act respecting enforcement measures. As the minister mentioned earlier, this provision stipulates that police forces other than the RCMP can, if the minister deems it appropriate, seize tobacco, alcohol and vehicles used for illegal contraband activities. Does this mean that the police resources assigned to fight contraband activities will be increased significantly? If it does, how much will this increased presence cost?

I would also be somewhat surprised if the government were able to obtain as easily as the minister claimed the co-operation of police forces that do not fall under its jurisdiction. Most provincial and municipal police forces have experienced staff cuts and most claim to be stretched to the limit. Refusal to co-operate is not always a sign of bad will. When police forces have trouble just getting their everyday work done, it is difficult for them to volunteer to do extra work for another level of government.

It was also mentioned that seized property such as vehicles could be auctioned off. Will the proceeds from such sales be used to fight contraband activities and smoking?

(1045)

Section 112 of the old Tobacco Sales to Young Persons Act, which relates to the immediate destruction of some of the articles seized, will allow the police to immediately destroy some of the articles seized, photos and videos liable to be used as evidence at trials. This could, of course, reduce storage costs significantly, but how do we make sure that these photos and videos are secure? That is a question that we should be asking ourselves.

Sections 201 and 211 of the act concerning the stamping of individual cigarettes will amend the Excise Act to allow authorities and law-abiding citizens to better identify products that have been taxed and those that have not been taxed, but we are told that these new stamping requirements for cigarettes will be prescribed by regulations after Bill C-11 has been passed. We hope that these regulations will be adopted and implemented quickly, in any case faster than those related to last year's Bill C-111.

Clause 7.1 of Bill C-11 will make it illegal to produce and sell packages containing less than 20 cigarettes. In our opinion, the effectiveness of this measure is reduced by the decline in cigarette prices. A pack of 25 now costs much less than a pack of 15 before taxes and prices were slashed.

Clause 7.3 of Bill C-11 is aimed at prohibiting the importation of tobacco products for and by people under 18. This measure is self-evident as we prohibit people under 18 from buying these products within Canada's geographical

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boundaries, but how can we ensure effective customs controls so that this measure does not amount to wishful thinking?

In conclusion, I would like to remind the House that the Official Opposition supports Bill-11, but we want to emphasize once again that it is important to take measures to enforce it. First by adopting easy-to-implement regulations and then by putting in place a better awareness program aimed at convincing young people that tobacco is detrimental to their health and that it can impose important costs on tomorrow's society.

[English]

Mr. Garry Breitzkreuz (Yorkton—Melville): Mr. Speaker, I have the honour to be the first speaker for the Reform Party on this bill. As members know, I am new to the House and studying this bill has provided me with an important lesson in the legislative process of which all Canadians should be made aware.

When the Prime Minister announced the government's national action plan to combat smuggling and Bill C-11 was introduced by the Minister of National Revenue, we assumed that Bill C-11 would contain all the measures announced in the national action plan to combat smuggling. Unfortunately it did not.

In fact all the tax measures announced by the Prime Minister in the national action plan to combat smuggling have been implemented using ways and means motions.

Ways and means motions require the government to bring a bill or bills before the House some time in the future. Ways and means motions cannot be debated. Therefore the tax reduction on cigarettes, the export tax on cigarettes and the health promotion surtax are not in Bill C-11. In effect they will not be seriously debated or subject to review and amendment by the Standing Committee on Finance until the government decides to bring in the other bills as required by the ways and means motions.

As I said, it was an educational experience for me to see how the government does things. The government is able to put its agenda forward even though there may be very little debate on it from its own MPs.

The measures introduced in Bill C-11 are fairly minor in comparison. The main amendments to the Excise Act and the Customs Act allow the government immediately to destroy certain seized property, even when there is an unresolved claim. It permits the government to give police forces the same seizure power as the RCMP.

(1050)

Another amendment to the Excise Act requires cigarettes to be individually stamped if they are manufactured or imported

into Canada in order to make sure that the duties have been paid. It is a very good control measure.

Finally, the Tobacco Sales to Young Persons Act has been amended to prohibit sales of tobacco products to any person under the age of 18. It makes it illegal to manufacture, package or sell cigarettes in packages containing less than 20 cigarettes. This is also a good measure.

On February 8 when the Prime Minister announced his national action plan to combat smuggling my constituency office received 52 calls, 43 of which opposed the reduction of taxes on cigarettes. Since the government made clear its intention to reduce the tax on cigarettes I have received letters from many different sources protesting the government's action.

Here are some of them: Saskatchewan Medical Association; Canadian Medical Association; College of Family Physicians, Saskatchewan Chapter; Saskatchewan Provincial Health Council; Heart and Stroke Foundation of Saskatchewan; Heart and Stroke Foundation of Canada; and the Canadian Cancer Society.

Also opposed is the Saskatchewan Interagency Council on Smoking and Health which includes all the following agencies: Allergy Foundation of Canada; City of Regina Health Department; Community Health and Epidemiology Department of the University of Saskatchewan, Continuing Medical Education, Continuing Nursing Education; Manitoba and Saskatchewan Conference of the Seventh Day Adventists; Saskatchewan Alcohol and Drug Abuse Commission; Saskatchewan Education; Saskatchewan Health; Saskatchewan Health Care Association; Saskatchewan Institute on the Prevention of Handicaps; Saskatchewan Medical Association; Saskatchewan Pharmaceutical Association; Saskatchewan Public Health Association; Saskatchewan Registered Nurses Association; Saskatoon Community Health Clinic; University of Saskatchewan; Canadian Cancer Society, Saskatchewan division; Heart and Stroke Foundation of Saskatchewan Inc.; and Saskatchewan Lung Association.

We also received representations from Saskatchewan Heart-Health which includes the following agencies and organizations: Canadian Cancer Society; Canadian Diabetes Association; Consumers Association of Canada; Coronary Artery Rehabilitation Group; Coteau Hills Heart Health Coalition; Heart and Stroke Foundation of Saskatchewan; Interagency Council on Smoking and Health; Regina Health District; Regina Heart Healthy Partners; Saskatchewan Council on Community Development; Saskatchewan Diabetic Association; Saskatchewan Health, Community Services Branch and Health Promotion Branch; Saskatchewan Lung Association; Saskatchewan Public Health Association; Saskatchewan Medical Association; Saskatchewan Physical Education Association; Saskatchewan Recreational Association; Saskatchewan Registered Nurses Association; Saskatchewan Restaurant Association; Saskatoon Tri-Hospital Cardiac Rehabilitation Program;

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SIAS—Wascana Institute; and the University of Saskatchewan Heart and Stroke Epidemiology unit.

This huge list represents many people. It shows the great concern and the broad base opposed to the measures the government is taking. All these organizations have expressed their concern.

(1055)

A letter opposing the tax reduction also came from the National Campaign for Action on Tobacco which includes the following agencies and organizations: Canadian Cancer Society; Canadian Chiropractic Association; Canadian Council on Smoking and Health; Canadian Dental Association; Canadian Home and School and Parent-Teacher Federation; Canadian Hospital Association; Canadian Lung Association; Canadian Medical Association; Canadian Pharmaceutical Association; Canadian Physiotherapy Association; Canadian Public Health Association; Canadian Society of Respiratory Therapists; Canadian Teachers Federation; Heart and Stroke Foundation of Canada; Non-Smokers' Rights Association; Physicians for a Smoke-Free Canada; Canadian Association of Optometrists; College of Family Physicians of Canada; Royal College of Physicians and Surgeons; and the United Church of Canada.

This represents a huge number of people who have objections and concerns regarding this measure. I will not mention any more but it gives an idea of how many people have concerns in this area.

Seventy agencies and organizations have made representations to me, just one member of Parliament. These 70 agencies and organizations are opposed to the tax reduction on cigarettes. In contrast, I have received just nine phone calls and one letter in favour of the measure announced by the government.

At this time I would like to read some of the concerns expressed in these representations. One letter comes from the Saskatchewan Provincial Health Council. It is addressed to the Prime Minister and reads:

We are puzzled and dismayed that your government is considering rolling back tobacco taxes.

Every province in Canada is involved to some degree in health reform and moving the emphasis from curing sick people to wellness initiatives and prevention of ill health. We have assumed that these initiatives were supported by our federal government.

Instead, we hear of your intended action which will reduce constraints and ultimately encourage and facilitate people, particularly our young people, to begin or continue an addictive practice that results in disease and death.

Please remember the following facts:

In 1989, tobacco smoking caused Canadians 9.5 billion in health dollars in the workplace.

One-quarter of high school students who smoke had their first cigarette by grade 6.

There are 43 known cancer producing substances in tobacco smoke.

Nicotine has similar drug and behavioural addictive effects as heroin and cocaine.

One hundred and seventy-five thousand teens will take up smoking if you roll taxes back.

Surely your government does not want to be remembered for contributing to the premature deaths of 250,000 people.

Another letter which is addressed to the Minister of Finance states: "We are writing to express our strong opposition to any decrease in tobacco taxes".

(1100)

Here is another excerpt from that letter: "Tobacco is the only legal product available which when used as intended causes premature death and disability. Tobacco use is the largest single independent risk factor for heart disease, and heart disease is the leading cause of death in Canada. It accounts for 12 per cent of all hospital admissions, 20 per cent of patient days in hospital, 20 per cent of disability pensions paid by the Canada pension plan and is responsible for 32 per cent of total future earnings lost due to premature death".

Where does this letter come from? It comes from the Heart and Stroke Foundation of Saskatchewan. It has a concern in this area.

It goes on to say: "To decrease tobacco taxes now would increase tobacco consumption by youth, decrease government revenue and reward one of the major causes of the tobacco smuggling problem, the actions of Canadian tobacco manufacturers".

I would like to read more excerpts from the Heart and Stroke Foundation of Canada. This is a letter addressed to myself: "Dear Mr. Breitzkreuz: What you may not be aware of is that, motivated only by profit, the tobacco industry has misrepresented both the nature of the problem and the consequences of its proposal to reduce taxes. Health groups, in contrast, have nothing personal to gain from the position we adopt on this issue. Our only interest is safeguarding the health of Canadians by preserving the tremendous progress realized over the past decade in reducing tobacco consumption. What follows is a point by point rebuttal of the tobacco lobby's main argument in favour of a tax rollback".

I will not read the whole letter, but it addresses the myth that there is a tax rollback that would stop the revenue leakage caused by smuggling. It said that in fact governments would lose substantially more revenue by lowering taxes.

Then it addresses another myth that tobacco tax increases have no impact on reducing smoking. The fact is that tobacco consumption has dropped dramatically in Canada over the past 10 years largely because of tobacco tax increases.

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The foundation goes on to say in this letter that tobacco consumption in Canada has dropped 40 per cent over the past decade, even with smuggled tobacco factored in, primarily as a result of tobacco tax increases which rendered cigarettes less affordable. Canada's 40 per cent reduction in per capita tobacco consumption is significantly greater than that of the United States at 27 per cent over the same period. We must take note of these facts when we have this discussion.

Then it addresses another myth that tobacco is taxed at an unfairly high rate in Canada. In fact Canada tobacco tax levels are on par with most industrialized nations.

I would like also to read a brief excerpt from the Canadian Cancer Society. It says: "Dear Mr. Breitzkreuz: We urge you to speak up in caucus meetings against tobacco tax rollbacks which would only benefit the tobacco industry and would be a public health disaster".

I have another letter here from the Saskatchewan Interagency Council on Smoking and Health. I will read an excerpt from it: "Very recently U.S. government researchers reported that while heart disease and cancer may be listed as the nation's leading killers, the biggest underlying cause of death is tobacco use. Let us not forget that tobacco is the greatest cause of preventable death in Canada". Let me repeat that tobacco is the greatest cause of preventable death in Canada.

Let us not forget that cigarettes cause health problems when used exactly as intended. Canada must continue with its combination of fiscal and health policies if we are to continue to reduce tobacco use.

(1105)

We support very much what the government is doing, what its intended use is, but we must question the things that have not been included in the bill, the tax reduction measures.

Here is another news release from the National Campaign for Action on Tobacco. Again I will not read the whole release. I am just going to take an excerpt. David Sweanor, senior legal counsel with the Non-Smokers' Rights Association, stated:

Reducing tobacco taxes would make tobacco products more affordable, which would result in enormous increases in consumption, especially among children and adolescents. The tobacco industry has lobbied itself into a win-win position. The industry profits from supplying tobacco products that end up smuggled back into Canada and, of course, the industry wins if governments bow to pressure to lower tobacco taxes.

That is one of the primary concerns that people expressed in those many phone calls we received. The government is bowing and the industry is bowing to pressure from certain groups to

lower taxes.

Here is another letter from Saskatchewan Heart Health:

We are writing to urge you not to reduce taxes on tobacco products.

We believe that reducing taxes would not solve the smuggling problem, would lead to greater consumption of tobacco products by Canadians, particularly by youth, and would send the wrong signal to the United States at a time when they are considering a tobacco tax increase.

We have heard on the news recently that the U.S. was watching what we do in Canada and that it will encourage the U.S. not to increase taxes there. It continued:

Canada has witnessed an unprecedented decrease in tobacco consumption over the past decade, coinciding with significant increases in federal and provincial tobacco taxes. Because youth tend to have limited incomes, price increases have an even greater deterrent effect on them.

At a time when other countries view Canada as progressive in its tobacco taxation policy and the resulting decreased consumption, it would seem to be a very backward step to now decrease taxes.

This message comes from the Saskatchewan Lung Association and it is marked urgent. I will read three main points from its memo:

1. Reducing tobacco taxes would be an economic calamity.
2. Reducing tobacco taxes would escalate health problems.
3. Reducing tobacco taxes would not eliminate smuggling.

I have one more letter from a constituent in MacNutt, Saskatchewan. I will not read the whole letter. It is addressed to myself:

Dear Sir:

We are appalled at the decision that the federal government is planning to remove some of the taxes on tobacco products. Again, just like previous governments, they are trying to please Quebec. Why is there not more effort put into the policing of smugglers? Also, why should Indian Reserves be exempt from the laws and taxes of this country? Are we not all to be treated equally? How would the lost revenue from cigarettes be made up? Who would pay for the extra health costs incurred by the greater use of tobacco products?

That is an opinion expressed by one of my constituents. We should be aware of what they are thinking.

As a Reform MP I am bound by the constitution of the Reform Party of Canada to represent my constituents' wishes.

(1110)

It is easy to see how I will vote when the government introduces the bill on reducing taxes on cigarettes. While I am also in favour of lowering taxes I do not believe we should lower taxes until the budget is balanced.

Let us first reduce government spending, balance the budget and then look at lowering taxes. Are Reform MPs the only members of this House receiving phone calls and letters opposed to the tax reduction on cigarettes? Am I the only one being inundated with this kind of information?

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I wonder how many other MPs will be able to face their constituents if they vote in favour of the tax reduction whenever that bill is brought before the House. We have to listen to the people of Canada. We have to hear their concerns and respond.

On February 8, after the Prime Minister announced the national action plan to combat smuggling, the leader of our party announced in the House that the Reform Party was in favour of some aspects of the action plan and opposed to others.

Our leader said that we were in favour of stronger law enforcement, that the Reform Party supported the government's anti-smoking education campaign, that the Reform Party supported the export tax on cigarettes, and that the Reform Party was opposed to reducing taxes on cigarettes.

We supported three of the government's initiatives but we were opposed to reducing taxes on cigarettes. Since the government's announcement our Ottawa hotline has received over 60 voice messages and faxes. The vast majority of those have been opposed to reducing taxes on cigarettes.

I stand here today to announce to the House that I am generally in favour of the position announced by our leader on February 8, 1994 in the House and that this position is consistent with the wishes of my constituents.

I am going to reserve judgment, however, on each of the specific measures of the action plan on smuggling until my colleagues have spoken and provided the government with their analysis and introduced their constructive alternatives to the government.

While Bill C-11 does not contain all the measures announced in the government's national action plan to combat smuggling, we are convinced we cannot delay the debate of all the measures put forward by the government in its action plan.

We cannot wait another week or another month to debate the tax related issues in the House and fully inform all Canadians of the full impact and consequences of the action plan on smuggling. We should be debating all of those things right now.

The debate should start today on all the issues concerning the public and not just the few measures introduced into Bill C-11. How many people will become addicted to smoking before the real debate on tax reduction can begin?

In their calls and letters, people and the organizations they belong to told me some very startling facts. They told me that 840,000 more Canadians who will take up smoking as a result of the reduction of taxes this government announced.

This includes 175,000 new teenage smokers. They told me that 250,000 of these Canadians would die as a direct result of their addiction to tobacco products. They told me that in Canada

there are 40,000 tobacco related deaths every year. This is before the 840,000 new smokers join the line-up at our hospitals and funeral homes. They told me that when the price of cigarettes goes up by 10 per cent, tobacco sales to adults drop by 4 per cent to 9 per cent. Sales to teenagers drop between 10 per cent and 14 per cent. Therefore it comes as no surprise that smoking will increase as dramatically when taxes are reduced.

(1115)

They told me the extra health care costs associated with treating diseases in 840,000 new smokers could cost about \$1.3 billion a year. Has the government taken this into account?

They told me they could not understand why a smuggling problem in Quebec should require the lowering of cigarette taxes across Canada. They told me they could not understand why the government has taken such broad action when the commissioner of the RCMP has confirmed that 70 per cent of smuggled cigarettes pass through the three Mohawk reserves between Cornwall and Montreal.

They told me they were concerned about whether the government's increased enforcement would be applied equally, regardless if the criminals live on or off Indian reserves. These are all questions they are asking. They also told me they could not understand why the Minister of Health could support the tax reduction on cigarettes when so many health organizations and most of the provincial ministers of health are so opposed.

That is from my own province where there is strong opposition. They told me they were concerned about the impact the government's measures would have on federal-provincial relations and relationships between the provinces, particularly Ontario and Quebec.

The Reform Party welcomes this debate so these issues can be brought before the House and before the Canadian public. As everyone can see we need answers to many questions. Will the government agree to answer these questions for us and for all Canadians?

In conclusion I want to pose some questions that Canadians have. First, what are the cost revenue implications in the short and long term? Has the government done a study? Do we know what the cost revenue results of this action will be?

Second, what will be the impact on the provincial health care programs and the federal government's share of these increased costs? Will we be able to afford the increased health care costs?

Third, what will be the impact on our law enforcement, justice and legal systems? We need to investigate all of these things.

Fourth, how many jobs will be affected in the tobacco industry? Has a study been done on this?

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Fifth, how many tobacco farmers will be affected by this?

Sixth, if there are truly no “no go” zones in Canada, what impact will the stopping of smuggling on the Mohawk reserves have on self-government negotiations? Has anyone checked this out? Did government ministers and the Liberal caucus consult their own members from Ontario and across Canada before implementing these measures? Were all people asked? Were these MPs not receiving the same information that we as Reform MPs were receiving? Will we have answers to some of these important questions before we vote?

I appreciate the fact that we have the opportunity to debate this bill. I commend the government on its openness. I am glad I am able to express some of the views of my constituents and my own personal concerns.

The Reform Party believes that the national action plan to combat smuggling could be improved. Our speakers will be proposing constructive alternatives the government might wish to consider and bring forward as amendments during the committee stage.

I thank you, Mr. Speaker, for giving me the opportunity to express my views on the government's anti-smoking measures in Bill C-11. I hope we have a good day as we debate these measures.

(1120)

The Acting Speaker (Mr. Kilger): I would like to remind all members present and others who are possibly following the debate that we are now entering the next stage of the debate where members will have their speeches limited to 20 minutes duration and subject to 10 minutes of questions and comments.

Hon. Herb Gray (Leader of the Government in the House of Commons and Solicitor General of Canada): Mr. Speaker, I am pleased to rise today to support second reading of Bill C-11.

As the Minister of National Revenue said, this bill is an important component of the government's national action plan to combat smuggling, the plan announced by the Prime Minister in the House on February 8.

In launching this initiative, we underlined our commitment to taking a comprehensive and decisive approach to deal with the smuggling problem. This bill is a further demonstration of that commitment. The Minister of National Revenue has described how the provisions of the bill will support the revenue aspects involving his department of our national strategy. The Minister of Health will describe its health aspects. However, as Solicitor General I want to discuss the provisions of the bill that support the law enforcement component of the government's national action plan.

[Translation]

In announcing the government's strategy, the Prime Minister made it clear that we were attacking a national problem affect-

ing all Canadians. He also clearly indicated that the rule of law had to be respected and enforced and that it had to apply equally to all citizens.

[English]

Given the seriousness of the smuggling problem, we knew it was imperative that we give police and customs officers the resources and powers they need to do their jobs properly to dismantle the smuggling trade, especially as it involves tobacco and alcohol.

For that purpose we doubled the number of RCMP and customs personnel dedicated to anti-smuggling operations. We knew that numbers alone would not solve the problem. We realized the increase in personnel had to be part of a greater law enforcement strategy, one that took into account the needs of the various police forces involved in the fight against smuggling.

This bill answers those law enforcement needs in three ways. First, the bill will allow the government to designate on an as needed basis provincial and municipal police services to enforce certain provisions of the Excise Act that formerly were within the sole jurisdiction of the Royal Canadian Mounted Police.

[Translation]

This means that when smuggled goods enter Canada, the RCMP is the only law enforcement agency legally authorized now to confiscate alcohol and tobacco under the present Excise Act. If there seems to be evasion of provincial taxes, this is an infraction against provincial law and the provincial and municipal police forces can intervene.

[English]

Given the seriousness of the smuggling problem, it is only common sense that we have the flexibility to allow not only the RCMP but also other designated provincial and municipal police services to seize contraband alcohol and tobacco wherever they may find it and also to seize the equipment used to manufacture them in Canada as well as the vehicles used to transport these products. This bill will make such action possible.

[Translation]

The Quebec Minister of Public Security and the Solicitor General of Ontario asked me to have the members of their provincial police forces, namely the Sûreté du Québec and the Ontario Provincial Police, empowered to enforce the Excise Act as I have just described.

(1125)

[English]

The bill responds positively to these requests. It will allow us to improve and expand on existing co-operation with provincial and local police and improve as well the efficiency of joint force operations. It will improve the efficiency of Ontario and Quebec

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provincial police and other designated municipal forces working on their own in anti-smuggling activities.

We have emphasized our commitment to working with the provinces wherever we can to ensure that the fight against smuggling, especially of tobacco and alcohol, is as efficient as we can make it. This bill is a demonstration of that commitment.

Another key element of the bill is that it will help law enforcement authorities mount a more cost effective campaign against smuggling. It will do this through amendments to the Customs Act and the Excise Act that will allow the Minister of National Revenue to authorize officials to destroy seized goods, primarily tobacco and alcohol, immediately after keeping samples to be used as evidence in court.

This is being done to reduce the increasingly high costs of storing seized goods as seizures increase as they have done in recent months. This is particularly true in the case of tobacco products.

I am told that in Ontario alone the current costs to the Royal Canadian Mounted Police for storing alcohol and tobacco it has seized is close to \$2 million annually. In British Columbia the RCMP has run out of existing warehouse space and has had to take over part of an underground parking lot to meet new storage needs. These increasing overhead costs as seizures of alcohol and tobacco increase are unnecessary and avoidable. The proposed amendments will help us to control and hopefully to reduce them.

I do want to say that in cases where the courts ultimately decide—and that may happen from time to time—that goods were improperly seized and later destroyed, the bill will require full compensation to be paid to the original owner of those goods.

Finally, the current provisions of the Excise Act authorize the marking of cigarette packaging but not the marking of cigarettes themselves. This is not satisfactory because we have seen that certain criminal elements have become adept at counterfeiting package markings to make contraband cigarettes appear legitimate. The bill would broaden regulatory authority to include requiring the marking of cigarettes if they are for legal use in Canada, thereby helping enforcement authorities to curb counterfeit and therefore illegal packaging operations. In addition, clearly marked cigarettes would make it easier for police to identify the use of contraband cigarettes.

[*Translation*]

To conclude, these three provisions—increasing the jurisdiction of provincial and municipal police; authorizing officials to destroy seized goods immediately; and marking and packaging tobacco products made in Canada in a way that will help police recognize smuggled goods—will strengthen law enforcement in

the fight against smuggled tobacco and also help fight liquor smuggling.

[*English*]

Together with the proposals regarding the prohibition of the sale of kiddie packs of cigarettes and other related matters to be discussed by the Minister of Health, the bill will continue to further the government's national objectives of ensuring respect for the law, especially the law against smuggling, everywhere in Canada and also protecting the health of Canadians.

We promised Canadians that our response to smuggling would be far reaching and comprehensive. Given the complexity of the contraband issue, it must be so. The bill provides valuable tools for us in the fight against smuggling, especially of tobacco and alcohol, and it supports our commitment to protect the health of Canadians, especially of young Canadians. This Bill C-11 is an important aspect of our overall effort and I ask members on all sides of the House to give this bill their support.

(1130)

Mr. Garry Breitkreuz (Yorkton—Melville): Mr. Speaker, I appreciate very much what the hon. minister has to say and agree very much with the necessary measures that he has had to take.

I wonder if he would be able to comment on a couple of the questions that I raised not directly related to Bill C-11. What would be the cost of the law enforcement and what would be the impact on our entire law enforcement, justice and legal system if these extra measures are put in place? Have there been any studies done on this? Do you know what the implications might be on this? What would be the cost revenue implications in the short and the long term of the tax reductions and export tax increases?

That is not directly related to Bill C-11 and you may not be able to comment on the second—

The Acting Speaker (Mr. Kilger): Order, please. I would just like to remind all members to direct their comments through the Chair and not directly to members opposite.

Mr. Breitkreuz (Yorkton—Melville): My apologies, Mr. Speaker. I will try to do better.

I had those two questions. I was virtually finished. I would just like to know what the impact would be on our law enforcement, justice and legal system and also what the cost revenue implications in the short and long term would be on the tax adjustments that have been made.

Mr. Gray: Mr. Speaker, I do not have these figures with me. I will endeavour to speak from memory. My remarks will be subject to correction either later in this debate or more particularly when the bill is studied in detail in the appropriate parliamentary committee.

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I think the initial cost of the law enforcement measures, the additional customs officers, the additional RCMP officers, will be in the area of \$100 million to \$150 million a year.

The revenue implications of the tax reductions in the first year I think are in excess, again I am speaking from memory, of \$300 million. We estimate that this revenue loss will drop sharply in subsequent years as the anti-smuggling program takes effect.

I offer these figures subject to correction as we study this matter in committee, but I think this is something in the ballpark area for what we are talking about.

Mr. Jesse Flis (Parliamentary Secretary to Minister of Foreign Affairs): Mr. Speaker, I enjoyed listening to the comments of the critic for the Reform Party and then the Solicitor General. The two are sort of connected because the critic for the Reform Party did quote from 70 agencies and organizations which are opposed to the tax reduction. I received similar representations and so on. He did not address, which I think the Solicitor General addressed, the concerns of the Royal Canadian Mounted Police.

On February 8 the Prime Minister did table in the House the letter from N. D. Inkster of February 3 wherein he states: "We are at a point where existing RCMP law enforcement resources are virtually incapable of turning the tide in this rapidly expanding problem, given our responsibilities across Canada".

Seizures have increased. This is what everyone is calling for. Why do we not increase our seizures? He says: "While seizures have increased dramatically the extent of the problem has been rising at a much faster rate with the involvement of organized crime groups and as otherwise law abiding citizens engage in the criminal activity through the open purchase of contraband. I am convinced that a comprehensive strategy is required to address the smuggling problem which goes beyond an enhanced enforcement initiative".

Now that we have been into this process where we are seeing the results of decreased prices and increased law enforcement, in the opinion of the Solicitor General and in talking to the RCMP and other police forces could this problem have been resolved without reducing the price of cigarettes?

(1135)

Mr. Gray: Mr. Speaker, the advice we received from the commissioner of the RCMP was that tougher enforcement measures alone would not have been sufficient to deal with the problem. We have to respect that advice, coming as it does from the head of one of the most respected law enforcement agencies in the world.

It is understandable why this advice came because we are dealing with a problem national in scope. It is true that there is a certain focus in eastern Ontario and Quebec, but the information also was that some 40 per cent of tobacco consumed in the

Atlantic provinces was smuggled, some 35 per cent of the tobacco consumed across Ontario was smuggled, some 15 per cent of the tobacco consumed in the western provinces was smuggled and these numbers were rising sharply.

The information was that thousands of people were involved across the country in distributing this contraband tobacco. Tens of thousands more were buying it and consuming it. This involved increasingly organized smuggling rings which were not only involved in tobacco but also alcohol, drugs and firearms.

When the problem was of such scope we had to tighten up and hit the smuggling rings through tougher enforcement measures. We also had to get the profit out of the smuggling of tobacco as a means of reinforcing the tougher enforcement measures. This is why, even though we knew of all the problems and concerns and even though we knew this was not an easy decision, we knew there was no simple solution to a problem of this complexity. We knew that our national plan had to have in it a component involving the reduction of domestic taxes on tobacco in order to take the profit out of smuggling. Along with that we knew we had to impose an export tax on tobacco and an excess profits tax on the tobacco companies to further squeeze out the profit but also to generate funds for a major anti-smoking program. We knew all these things had to be done.

We concluded, and it was not something I have to say we were happy about, it had to be done in the public interest, that the national plan to deal with smuggling could not depend on enforcement alone. It had to depend on tax measures which as I have said did not only involve the reduction of domestic taxes on tobacco but involved substantial tax increases on the tobacco companies, an export tax on the products they made here and sent abroad, because we knew that was a source of a lot of what was smuggled back, and also a substantial tax on these tobacco companies to fund a major anti-smoking program.

I have the greatest respect for the organizations quoted by the hon. spokesman for the Reform Party, but I think most of their communications were published before our plan went into effect. They feared we would ignore the tobacco companies. They feared we would ignore the need for an anti-smoking program and of course we did not ignore those key necessities. They are parts of our national plan. I hope that these organizations will take another look at what we are doing. As I said, I respect their concerns about the implications of tax reductions but a lot of the other things we are doing involve measures that they themselves have called for for years and now we are proceeding to do them.

To sum up, enforcement is a necessary part of our program but it was concluded reluctantly that enforcement alone would not do the job. This just says something about the complexity of governing in a country like Canada. Sometimes problems arise for which there are no simple or easy solutions. Whatever way you go involves problems, but it still means that governments

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have to take decisions and operate in the best interests of the country. Then when the time comes they must submit themselves to the judgment of the public. We are happy to do so in this case and with respect to the other things we have done and will be doing with the intention of serving the best interests of all Canadians, of people in every part of this country.

(1140)

Mrs. Brenda Chamberlain (Guelph—Wellington): Mr. Speaker, I would like to mention that the marking of individual cigarettes was a Guelph based idea. It came from a gentleman named David Kennedy who is not the city treasurer, I would note. He is an individual citizen who is working very hard along with my constituency to find positive solutions for our problems in government. I really want to thank him.

I would also like to make mention of the anti-smoking program that we are talking about initiating. I would like to ask the hon. member if associations such as the lung association may be contacted to help us in this educational process. It may already have many good ideas or many educational components in place. In order not to have a duplication of services, perhaps organizations like this could help us in our anti-smoking campaign.

I would ask the hon. member if he would comment on that.

Mr. Gray: Mr. Speaker, I do not want to get too much in the area of the Minister of Health. I know she is going to speak and I am sure she is going to confirm that she and the government want to work co-operatively with groups like the lung association.

I am sure she will confirm that we want to take advantage of their ideas, programs and facilities. I look forward and I think the government looks forward to increasing close co-operation between the Minister of Health, her officials and groups like the lung association. This co-operation is necessary to make our program work.

Ms. Hedy Fry (Parliamentary Secretary to Minister of Health): Mr. Speaker, I want to comment in the absence of the Minister of Health that in fact the Minister of Health has been meeting with the lung association, the Heart and Stroke Foundation, the Canadian Medical Association and all the anti-smoking groups to talk about new strategies.

Mr. John Richardson (Perth—Wellington—Waterloo): Mr. Speaker, I would like to make a few comments. One is to thank the hon. minister for the action taken and to review what happened that led to this.

This was a genuine needs driven exercise. Society had been getting out of hand. We had models set up on street corners. We had big money being made. There were ostentatious homes being built, not just in specific areas. Money was being made illegally and it became a way of life. It had to be snuffed out if society was to preserve itself and its integrity.

I was personally pleased to see such action taken, particularly the diagnosis by the government, patiently building its case involving all aspects of our society before it took action. Based on that diagnosis the prescription was laid before us in a four point plan which covered very thoroughly and very comprehensively all aspects that undertake to eradicate this disease in our society.

Finally, we saw the true action in concrete form here. I hope that at some stage we will follow it up with a real evaluation and seeing that society is back on track with law and order.

Mr. Gray: Mr. Speaker, with your permission I would like to make a brief response to the comments by the hon. member.

We should remind ourselves that this problem did not begin in the three months or so that this government has been in office. We are talking about a problem that built up for years without this kind of needed action by the previous Conservative government.

This government, along with its famous red book of plans for creating jobs and developing the economy, also has had to deal with problems that are surfacing that built up under the previous government. We should remember this in recognizing that this government has been willing to take action to deal with immediate needs and concerns like the smuggling problem.

Furthermore, we want to make sure that we do this in a balanced way. I am glad that the hon. member has pointed out for society the dangers of this problem we are dealing with. That is why our program has all these components. Yes, it has a tougher enforcement component. Yes, it has a taxation component but it also has a very important health related and anti-smoking component.

I look forward to the comments of the Minister of Health later in the debate to build on what this is all about. I also look forward to the committee study where we can provide further detailed information.

(1145)

[Translation]

Mrs. Madeleine Dalphond—Guiral (Laval—Centre): Mr. Speaker, last February 10, the Minister of National Revenue tabled a bill to significantly amend three other acts of Parliament, namely: the Excise Act, the Customs Act and the Tobacco Sales to Young Persons Act.

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The purpose of the bill is to more or less balance, through various pieces of legislation, the government strategy against smuggling, which was announced in this House by the Prime Minister, on February 8, 1994.

Several people working in the health field expressed concern regarding this national plan to fight smuggling, because of the adverse effects it could have on the health of Canadians and Quebecers. These people, including practitioners and health care specialists, fear an upsurge in tobacco use in general, but more important increased consumption among young people.

Even though the federal government's efforts to eliminate or at least better restrict access to tobacco products for young people may be commendable, the fact is that the situation is serious.

The government is proposing amendments which, it says, will reinforce some provisions contained in Bill C-113, which was passed on March 25, 1993. As you know, this legislation prohibits the sale of cigarettes to persons under 18 years of age.

Just what are those provisions? Part III of Bill C-11 contains three amendments to the Tobacco Sales to Young Persons Act. Under section 10 of the bill, the long title of the Tobacco Sales to Young Persons Act is replaced by the following: an act to restrict access to tobacco by young persons. According to the government, this new title implicitly expands the scope of the act and reflects much more accurately the new approach of restricting instead of prohibiting.

Clause 11 adds three new elements to Bill C-111. Clause 7.1 prohibits the sale of packages containing less than 20 cigarettes. As of May 1, 1994 producing or selling what are commonly called kiddie packages, that is packages containing 10 or 15 cigarettes, will be prohibited. Those packages, which are usually sold at a good price, are extremely appealing for young people. Their relatively low cost is also an important incentive. It is easy to start smoking. You never know, it could be fun.

Clause 7.3 prohibits the importation into Canada of any tobacco product by a person under the age of eighteen, whether for personal consumption or for someone else.

In recent weeks, we have looked at the legal and tax aspects of the question, and particularly at the thorny issue of cigarette smuggling. In the process, we also put the health and well-being of Canadians and Quebecers on the back burner.

According to Dr. Richard Lessard, who is the Director of Public Health for Health and Social Services, Montreal Centre branch, it would be a mistake to limit the debate to legal and tax considerations. A major issue takes precedence over tobacco smuggling, and that is the health of Canadians and Quebecers.

Dr. Lessard himself said that tobacco consumption is currently linked to 40 per cent of deaths due to cardiovascular complications—to 87 per cent of deaths due to lung cancer, and to 80 per cent of respiratory diseases. Low birth weight is twice as common among babies whose mothers smoke than among those whose mothers do not smoke. And currently, the increase in smoking is higher among young women.

(1150)

Young Canadians start smoking between the age of 11 and 15. At fifteen years of age, 22 per cent of males and almost 30 per cent of females are smoking. Also, 65 per cent of these teenagers are paying for their cigarettes out of their own pockets. Any public policy, whether it is non inaction in fighting smuggling or lowering taxes on tobacco, if not linked to aggressive preventive measures, does encourage these vulnerable teenagers to start smoking.

According to Dr. Lessard, tobacco-related health problems cost \$2.5 billion to Quebec and \$9.5 billion to Canada, even though, before the current crisis, tobacco consumption had decreased by 40 per cent since

Several health officials have criticized the decrease in sale prices of cigarettes following the tax reduction announced by the government. They think it will only encourage the most vulnerable groups, teenagers and young women, to start smoking.

My colleague, the hon. member for Lévis, mentioned and rightly so the devastating effect of smoking among our young. We think educational measures must accompany the legislation which was announced. We must develop new programs and support the current ones by investing in mass advertising.

We must also make businesspeople aware of their social responsibility. Bill C-111 goes ahead by implementing measures concerning tobacco sales. For example, the stamp prohibiting the sale of tobacco products to minors is a step in the right direction.

We also need to make some long-term investments in an anti-smoking campaign. I am pleased to report that the Quebec government has undertaken a major anti-smoking campaign to urge young smokers to change attitudes. Several governments in Canada have decided to follow suit.

Bill C-11 includes provisions concerning the Excise Act and the Customs Act which confer new powers on the minister and various police forces in Canada and in Quebec responsible for enforcing the law throughout the country. According to the government, these provisions will provide the new legal tools which are needed to achieve better enforcement of the law and to continue the fight against smuggling.

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One interesting provision of this bill is found in clause 9 which says that the minister may authorize an officer to sell or destroy the seized goods.

It goes without saying that the government will never proceed, I am convinced, with the sale of seized tobacco products. This is commonly done in some American States but it would be out of place in this country given the current situation. However, the equipment and facilities used to carry or stock these goods could, of course, be sold. This could become an interesting source of funds to be reinvested in anti-smuggling programs or in a public awareness campaign.

(1155)

In order to be successful in its fight against the harmful effect of tobacco, the government must maintain the National Strategy to Reduce Tobacco Use. As its title says, the main objective of this action plan, developed in co-operation with the provincial governments, is to reduce tobacco use.

Every member of the House knows that this strategy has three objectives: to protect the health and rights of non-smokers, to prevent non-smokers from picking up the habit and to help smokers who want to quit smoking.

In this context, in order to effectively reduce tobacco use, there has to be a concerted effort by all levels of government and by non-governmental organizations.

We believe that the government must harmonize the various legislative measures in place to combat the use of tobacco and its effects. We believe that the measures proposed in Bill C-11 respecting the sale of tobacco to young people must be accompanied by a genuine desire to eradicate smoking.

The problem of tobacco use will not be solved simply by making it harder for young people to obtain tobacco products through more or less coercive measures aimed at merchants, producers and consumers.

The government must not shirk its responsibilities. As Dr. Lessard said, our governments have already made a commitment to health and have understood that making a long-term investment in our collective health will help us, as a society, solve our serious economic problems. During the present budget cutting period affecting health care in Quebec, and probably in other provinces, how can we explain the omission of health considerations in the debate since the major consequence of this crisis is sickness?

How can we fail to see that the only winners are tobacco companies? Should our society yield to an industry which takes our own health hostage and which economists say is steadily losing ground in our economy?

We understand the important economic and legal issues involved in the revolt of some elements of our population against taxes, and the general outrage over smuggling and its

corrupting effects. Prompted by the rumblings of public discontent, our ministers of justice and finance laid out some very convincing arguments on that point.

It seems urgent and critical to ask the premiers to listen also to the arguments of their health ministers and to renew their commitment to the well-being of the population.

It is crucial to reintroduce social and human dimensions into the present debate. No government should be allowed to forget the health and well-being of its population for purely fiscal considerations.

[English]

Hon. Diane Marleau (Minister of Health): Mr. Speaker, it is my pleasure to speak to the section of Bill C-11 which will amend the Tobacco Sales to Young Persons Act. Action on the proposed amendment is one more important step in our ongoing efforts to address the problem of tobacco consumption, particularly among Canadian youth.

The Tobacco Sales to Young Persons Act was proclaimed into law Tuesday, February 8, as a component of the government's anti-smuggling initiative. It raises the legal age of purchase from 16 to 18. It restricts the location of cigarette vending machines to bars, taverns and similar beverage rooms. It also increases the penalties for selling tobacco to minors.

(1200)

A new range of fines has been established for any sale to persons under the age of 18 and includes sales through a vending machine. For a first offence the fine will be up to \$1,000, for a second offence up to \$2,000, up to \$10,000 for a third offence, and for subsequent offences a fine of up to \$50,000 can be levied.

The amendment now before us relates to kiddie packs of cigarettes, as they are commonly known. Kiddie packs are packages that contain fewer than 20 cigarettes and are usually available in packs of 15 and 5. I have seen these kiddie packs. They often look like a chocolate bar. It is very surprising to see these packages of cigarettes that could be any kind of a chocolate bar being sold to young people with no questions asked. It is very important we ban them.

[Translation]

Kiddie packs began to appear in Canadian stores in the late 1980s. Producers of tobacco products said at the time that they had taken that approach to please adult smokers but, like Canadian health organizations, I believe that their availability increases the risk that young people start smoking.

Those packages have a special appeal for young people because they look attractive and their price is lower than that of regular packages. They are more affordable for young people who do not have much money, and younger people find them easier to hide from parents and teachers. As I said, some

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packages contain only five cigarettes, and look like a chocolate bar.

A poll taken in Nova Scotia in 1990 indicated that the majority of teenagers who smoke buy kiddie packs. Among sixth grade smokers, in the 11 to 13 age group, almost half of them buy kiddie packs. That research was done four years ago, but the situation is probably the same today.

[*English*]

Bill C-11 will prohibit the sale of packages containing fewer than 20 cigarettes. It will also prohibit tobacco manufacturers from producing packages that contain fewer than 20 cigarettes. For selling and for offering for sale kiddie packs, the legislation provides for a maximum sentence on summary conviction of a \$2,000 fine or six months, or both. On conviction on indictment the maximum sentence is a fine of \$100,000 or two years, or both. For producing kiddie packs the maximum sentence on a summary conviction is a \$200,000 fine or six months, or both. On conviction on indictment the maximum sentence is a \$500,000 fine or two years, or both.

The government recognized that the action plan to combat smuggling and the tax measures associated with it would pose health risks. Let me assure members that we are just as determined to deal with tobacco use as we are with the smuggling problem. This amendment is just one more step in our efforts to eliminate tobacco consumption.

The action plan included a very strong health component. One element of that was legislative. In this area we have taken immediate action through proclamation of the Tobacco Sales to Young Persons Act and introduction of the amendment concerning kiddie packs.

[*Translation*]

We are also moving to give more teeth to law enforcement. Some 300 Health Canada inspectors have already been designated under the law and, as an interim measure, they will be available to monitor law enforcement while carrying out other tasks. During the next two months, we will publish a training kit and new inspectors will be hired to take over and control the enforcement of the Tobacco Sales to Young Persons Act.

Other ongoing enforcement activities include sending to all retailers in Canada explanatory letters and signs. Those signs must be posted in a prominent position in all places where tobacco products are found or sold. Any retailer who refuses to post those signs indicating that it is prohibited selling tobacco products to persons less than 18 years old will be liable to a fine up to \$250.

(1205)

We will also put ads in newspapers to inform retailers of their obligations under the new act.

[*English*]

As well we are looking at what action might be taken in such areas as plain packaging and product standards. Plain packaging contains no distinctive colouring, although it would permit the use of trademarks. Many health advocates feel that plain packaging, making products less distinct and promotion much more difficult would be an effective deterrent.

In the area of products standards, we are looking forward to bringing new regulations requiring manufacturers to provide information on the packages about the chemical compounds contained in tobacco and tobacco smoke.

A comprehensive educational campaign is also being mounted. It will be aimed at the general public and at key groups, such as young people and women, and will be developed in consultation with the provincial and territorial governments and the non-government health organization.

Action has already begun on a number of promotional-educational activities. A national media campaign began last week directed primarily at young people through the radio and television stations they most often watch and listen to.

We will also be working closely with our health group and provincial government partners to develop a system for monitoring tobacco consumption, particularly by young people. The acquisition of consumption information on a regular basis will be essential in measuring the success of our initiatives and planning the development of even more effective action in the future.

[*Translation*]

Tobacco use among many groups which are hard to reach is alarming. Those groups do not usually respond to traditional anti-smoking ads. We will be making special efforts to reach them.

We will also make more efforts to reach families, new parents, health care people and other people who are important role models for children. We will support education programs and community activities.

A health surtax will be levied on profits of tobacco products makers for three years to finance special initiatives. We believe that tobacco companies are responsible and that they must pay the price.

[*English*]

We are looking over the next three years at one of the most concerted efforts ever undertaken in the health education field. This is the toughest program that any jurisdiction has taken against tobacco products. During the past several years our co-operative initiatives have been very successful in reducing consumption among the population over age 15. I am confident these new resources will permit us to build on those successes.

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To do so will require continued co-operation and close collaboration.

I have had discussions during the past two weeks with representatives of health organizations and with provincial and territorial ministers of health. At my recent meeting with ministers of health I offered to work with them on the best way to use the resources provided in the new federal anti-smoking strategy.

My officials and I are committed to seeking the advice and assistance of these groups as together we strive to reduce the demands for tobacco, the number one cause of preventable death in Canada.

[*Translation*]

Mr. Antoine Dubé (Lévis): Mr. Speaker, I listened very carefully to the Minister of National Health and Welfare as I do every time she answers questions in the House about smoking.

Here again, the minister means well with these measures to prevent smoking, but as I said during my speech, the Official Opposition is somewhat apprehensive about the enforcement of these measures. You referred to the cost of so-called kiddie packs—packages containing fewer than 20 cigarettes—which will now be prohibited. I think we should remember that because taxes have been cut, in Quebec at least, the price has gone down considerably, so that today, a pack of fewer than 20 cigarettes is much cheaper. In fact, a pack of more than 20 cigarettes is now cheaper than a pack of 15 cigarettes used to be. In other words, cost is an important factor.

(1210)

I would appreciate it if the minister could give us her thoughts about this and whether she thinks this aspect was properly evaluated, because there has been a drop in the cost of a pack of cigarettes. We know that people who smoke more than 20 cigarettes a day are considered to be heavy smokers, which is very dangerous to one's health.

The minister mentioned new inspectors. I wish she would specify, if she is in a position to do so today, the number of new inspectors to which she is committed and what this will cost. As for the fines, I do not think they are all that severe. It all depends on the offence and the extent of the offence. I would like to tell you a story about the legislation to prohibits smoking in government buildings.

At the CBC there was a massive operation to enforce the new legislation as soon as the rule came into effect. The amount that people were fined added up to a considerable amount of money, and when employees protested, it all ended without anyone paying fines.

My point is that when the government decides to enforce this legislation, I hope it will do so fairly and squarely across Canada and will have the requisite number of inspectors to do so. We

also have to provide for cases where one will not be able to count on the co-operation of provincial or other police forces. We will need a lot of inspectors to cover the territory involved. I am not so sure they will be able to do that. There is also the risk of partial enforcement.

I mentioned what happened at the CBC, but it could happen in any other company or community, when all of a sudden individuals are fined and notice that meanwhile, people somewhere else can continue to smoke with impunity, and I am thinking of young people particularly. This may produce a sense of injustice, of being picked on while other people can go on breaking the law without being penalized.

I would appreciate the minister's views on the subject.

Ms. Marleau: Mr. Speaker, I should explain that the fines are imposed in the case of sales of cigarettes to young people. It is true we now have inspectors, but we had them before. Their mandate is to ensure that retailers do not sell to young people.

However, the objective is to make all retailers be very careful about whom they are selling cigarettes to. As you know, some young people do not look very mature. They look more like 10-year-olds when they come to the convenience store to buy cigarettes.

Store owners should realize that these kids should not be buying cigarettes, that they should not have them, and that it is against the law. Of course we want the inspectors to do their job, but we are convinced that most retailers are or will be aware of the harmful effects of smoking. We want to ensure that young people do not have easy access to cigarettes. That is very important. So that is the other reason for removing kiddie packs.

As you know, when these kids come home with a package of cigarettes, their parents notice. These kiddie packs are much easier to hide. When you see a kiddie pack, you know it is intended for kids. That is the whole purpose.

(1215)

Selling cigarettes to kids is the opposite of what we want to do. We are sure we will get the co-operation of most retailers because this is essential to the well-being of Canadian society.

[*English*]

Mr. Garry Breitkreuz (Yorkton—Melville): Mr. Speaker, I commend the Minister of Health on her presentation. I appreciate what the government is trying to do in this area. It has taken a balanced approach and has tried to address all the issues involved in this very complex problem.

My constituents have raised another health problem young people experience which relates directly to this issue. Some experts I have heard addressing this problem indicate that alcohol could also be one of the great problems we will be faced with. After all these measures are taken on tobacco, society's criminal elements will be looking for new ways to profit. There

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is a large market in alcohol and they would target young people. Smuggling could suddenly become very profitable.

In light of the fact that this is a big problem among young people and is a potential smuggling problem, would the minister be willing to commit to take similar initiatives in the area of alcohol abuse and the smuggling which will take place as tobacco becomes controlled? Would she be willing to comment on or address this problem?

Many constituents are wondering about the domino effect. Will the reduction of taxes on tobacco mean a reduction of taxes on alcohol and many other products that are susceptible to being smuggled?

Ms. Marleau: Mr. Speaker, we are determined to end the smuggling network. That was the reason for bringing down the prices on cigarettes.

While we realize some alcohol is coming through the same network it is certainly not the same size of a problem, although it is a problem. We are convinced we will win against the networks in the law and order problem we are addressing.

When it comes to sales to young persons, liquor is not a product that can be sold to young people anywhere in the country. It is not legal now. In terms of sales of tobacco products to young people, we are trying to establish the same kind of limits. Then everyone knows it is just as illegal to sell tobacco to young people under the age of 18 as it is to sell alcohol to them. That is the basis of the changes we have brought forward. It is very important that all the people of Canada co-operate in this matter.

Mrs. Jan Brown (Calgary Southeast): Mr. Speaker, I too appreciate very much the remarks of the Minister of Health.

I wonder if the minister could respond to my question with respect to the briefing we had yesterday. This is not meant as a challenge in any way. It is for my clarification.

It is my understanding that the manufacture of kiddie packs will continue until May 1, 1994. That means there are still two months of production left for this particular kind of package and I understand it was for the transition for the manufacture of this product.

It seems somewhat unusual, almost to the point of ludicrous that we would have a package available in the marketplace for two months when we are looking to enforce a particular law.

(1220)

Could the minister give her assurance that she will look into this and explain how she will ensure that the kiddie packs are not sold to minors from now until May 1, 1994?

Ms. Marleau: Mr. Speaker, I share the hon. member's concerns.

One of the challenges we face is that we are now debating Bill C-11 and it is not yet law. The sooner this law can be passed the sooner we can end the sale of these kiddie packs. It is not unlawful to sell or to manufacture them until the law receives final approval. It is essential that the bill move on as quickly as possible.

The manufacturers are very much aware. The notice is out there that very quickly it will be unlawful to produce and sell them.

It would be well and wise if we could get this piece of legislation through all stages very quickly including the Senate and royal assent stages.

Mrs. Jan Brown (Calgary Southeast): Mr. Speaker, I rise today as the elected representative of the constituents of Calgary Southeast and as such I speak for and with them.

Having said that and anticipating this debate, I not only tracked the calls and letters that came to me, but I also conducted a poll in my riding. Of those polled, 58 per cent opposed the government's proposed tax rollback. I am pleased to bring their collective wisdom and opinions to the debate today.

The motion before us has three components. I will speak in particular to the amendments to the Tobacco Sales to Young Persons Act. I do have some personal thoughts and insights I would like to bring to bear as well. Before doing that, it is critical to consider what this legislation is intended to accomplish.

The government alleges it is concerned with the massive smuggling problem facing our country today. Therefore Bill C-11 has been put forward by the government as part of a national action plan to combat smuggling. This legislation and the accompanying plan to combat smuggling tell me four things.

First, the legislation shows that the Government of Canada cannot enforce its own laws. Second, it shows that the influence of the tobacco industry is highly sophisticated and tremendously powerful. Third, Bill C-11 shows us that the deficit is not a concern of the federal government. Fourth, the legislation clearly shows that the federal government has little appreciation for the health and welfare of Canada's youth.

I will deal with the first point, that the Government of Canada shows us it cannot enforce its own laws. The government admits there is a substantial problem with smuggling, that people are going outside the law to maximize their own personal profits. However instead of strictly enforcing the laws as they now exist, the government chooses to change them. This is a vain hope. This legislation may put an end to the high level of tobacco smuggling but it is a half measure and will not stop the smuggling.

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I believe in a good challenge to any debate. My first challenge to the government is this: Why was the law so poorly enforced that new measures are now required? Will these make the new law any easier to enforce?

(1225)

My next challenge questions the influence of the tobacco industry. This highly sophisticated and powerful lobby has finally succeeded in getting the government to backtrack on the largest contributing factor to the decrease in tobacco sales. That was high taxes on tobacco products. The people of Canada are already cynical and have lost faith in the credibility of the government. How will the government restore that faith given that it appears to have bowed to the pressure of the tobacco industry's lobby efforts?

The federal government in proposing Bill C-11 will forgo revenue in an attempt to stop smuggling. In so doing the federal government makes it clear that our deficit and our debt are not priorities.

The Prime Minister admitted that in 1994-95 alone the government expects to lose \$300 million in revenue because of the reduction in tobacco taxes. The Prime Minister goes on to suggest the health promotion surtax on profits of tobacco manufacturers will generate some \$200 million over three years. The government release on the action plan to combat smuggling suggests this \$200 million will fund a range of health promotion activities, including measures to reduce smoking. This sounds fine and good, but who will pay for it?

The government estimates the tax revenue lost to be \$300 million in the first year alone. It then asserts it will generate \$200 million from taxes on the tobacco industry. These numbers are questionable to me. At best there will be a shortfall of \$100 million, not including the further cost of the health promotion programs the government says are a priority. This immediate shortfall of \$100 million is substantial but does not compare to the health costs to be incurred under the plan.

By reducing taxes we are encouraging existing smokers to smoke more and we are making it easier for new smokers to get hooked on the habit. Smokers will add further strain to our health care system. They do not require care today, but 10 to 15 years from now the government will regret the day of this decision.

Studies and experience over the past few decades have proven there is a direct correlation between smoking and heart disease and smoking and cancers of the lung, the oesophagus, the mouth, the tongue and the larynx. It has also been shown that smoking has a detrimental effect on unborn children.

What will be the eventual financial cost? The numbers just do not work for this program.

The third challenge to the government is to decide how best to address the problem of the deficit without complex tax alternatives. This is not a solution to cigarette smuggling; quite frankly it is just blowing smoke.

My fourth point is that Bill C-11 shows that the federal government really has very little concern for the health and welfare of the nation's youth. Taxes on cigarettes and tobacco products were high for a reason: they brought the government revenue. More than that statistics showed that high taxes directly correlated to a decrease in tobacco sales especially among our youth. Simply put, cigarettes became too expensive.

Health and Welfare Canada states that when the price of tobacco products rises by 10 per cent, sales to adults drop by 4 to 9 per cent. More significant, sales to teenagers drop by 10 per cent to 14 per cent.

(1230)

This legislation has some very serious implications for the health of our nation, particularly our youth. Dr. Robert Allen is the Canadian professor of economics who contends that if the tax cut to the price of tobacco in Quebec is implemented in the rest of Canada it will result in 840,000 more smokers and 175,000 of them will be teenagers.

The government contends that it has a plan that will keep our youth from smoking. The idea, as I see it, is to keep cheap cigarettes out of the hands of our young people. The government, however, chooses to change a plan that was working well. Smoking was on the decline in Canada and young people including my daughter were being discouraged from smoking.

My daughter, despite objections and at first unknown to us, began smoking at the age of 12. She would smoke several packages a week and nothing we said or did made any difference. When we travelled in the United States she would buy cheap cartons of American cigarettes and smoke like a chimney until they were gone. However, back home again she was back to her usual habit of a couple of packs a week. She could not afford the high cost of cigarettes.

As these costs have increased, her usage has decreased. It saddens me to think that a government action will now further encourage my daughter's smoking addiction.

The government proposes another idea to reduce the number of young people smoking and that is banning the kiddie pack. I believe this idea to be ridiculous. As a young constituent working in a local gas station confided, mostly it is the older people who buy kiddie packs. The cool kids buy packs of 25 and not kiddie packs.

There will always be a part of our population that tries to beat the rules, and undoubtedly the moral hazard will take its toll on this legislation. If young people want cigarettes, and thanks to Bill C-11 they will be able to afford them, they will be able to get them. They will lie in bed at night thinking about how. This

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government has only increased the age of prohibition and even that becomes irrelevant when there is no commensurate will to enforce it.

There has only been one measure that has worked in minimizing the access of our youth to tobacco products, high taxes. I challenge members opposite me and all my colleagues on this side of the House to recognize the wisdom of this measure. As a young adult recently said to me, the government should raise taxes on those things that are bad for us and lower taxes on those things that are good for us.

Governments must recognize their social responsibility to our youth. When this happens, parents like me can say thanks.

Mr. Julian Reed (Halton—Peel): Mr. Speaker, I have a couple of questions. I was listening to the hon. member and her obvious genuine concern about the fact that smoking is an addiction. I speak as former chain smoker. I ended that practice about 25 years ago.

There is a little mythology that has to be cleared up here. I wonder if the hon. member could tell us who she thinks is smoking the contraband cigarettes, who she thinks is smoking the cheap stuff.

(1235)

If you go into schools you will find that counterfeit cigarettes are being sold out of the trunks of cars.

The Acting Speaker (Mr. Kilger): Order, please. I remind members once again of the wisdom of directing questions through the Chair as opposed to what may seem a more personal way of “you in this”, “you in that” and “un vous ici, un vous là”. Put me to work or keep me in my chair but, please, through the Chair.

Mr. Reed: Thank you, Mr. Speaker, for that correction. I will start again. Pardon the oversight.

It is the young people who unfortunately have been buying these lower priced contraband cigarettes. As a result, more and more young people are being exposed to tobacco because of the smuggling. Therefore attempts had to be made to correct the problem.

I advise the hon. member that the situation in which the tax has been dropped is considered a temporary situation and will be corrected as soon as the issue of tobacco smuggling is corrected.

Mrs. Brown (Calgary Southeast): Mr. Speaker, I thank the hon. member for his comments.

I want the member to acknowledge that I was speaking from some personal experience and from the point that I wish to challenge the change to the law, why we are changing the way we have been performing our function and why the government

feels that laws which were in place prior to this one were not good enough. I tried to make that point in my discussion.

I must say I did not realize this change was only a temporary one. That really astonishes me. I thought we were debating a change that was for the long term. I will just leave it at that.

Ms. Susan Whelan (Parliamentary Secretary to Minister of National Revenue): Mr. Speaker, I inform the hon. member with regard to a few of her earlier comments that she was incorrect in saying the government was not concerned with law enforcement. We are very concerned with law enforcement. That is one of the main reasons behind the bill.

The RCMP commissioner has told the government that we needed to take action and that is what this plan is. It is action so that we can have law enforcement in the country.

I remind the hon. member that this problem started long ago. When we came upon the scene a short 100 days ago, this government was faced with a momentous problem. It was not a small problem and it was not something that just started. It is something that has been going on for years. We are taking action. We are addressing the problem.

Second, I also remind the hon. member that we are concerned with the deficit and that is why we are taking action. We are losing over a billion dollars because of smuggled cigarettes. There are 75 million cartons being smuggled back into Canada. That is a serious problem that needs to be addressed and that is what the government is doing.

Does the hon. member not believe that spending an additional \$185 million in health is not a good idea, is not the idea behind education or is not an idea to promote the awareness of the problems with smoking? Is that not a concrete answer to some of the problems raised by the health groups? This government looked at the whole package.

We looked at the effect of lowering the tax. We looked at the concern from the health groups. We put together a whole package. I would like the hon. member's comments.

Mrs. Brown (Calgary Southeast): Mr. Speaker, I have to ask clarification from the hon. member on a couple of things. I appreciate the comments from the other side. They very much enrich the kind of debate we are having here today.

(1240)

I believe the Solicitor General earlier in the discussion this morning said tougher law enforcement would not have achieved the desired result to end smuggling. Therefore I have to ask why the hon. member suggested so strongly that my comments about law enforcement were not completely correct.

I believe in my statement I gave a challenge to this debate concerning why we are changing our laws at this point. En-

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forcement is a very important element of any law structure. It seemed to me that those who are there to enforce the law have a responsibility to do that to the full extent. I was just asking the question about why we have to change the law. The Solicitor General said that tougher law enforcement would not have achieved the desired result. I am a little confused as to the point the member was trying to make.

I concur with the hon. member that education is a very important facet of what we are trying to accomplish. I believe, however, that by opening the door to increased smoking we are looking at a huge health problem further down the road.

Mrs. Rose-Marie Ur (Lambton—Middlesex): Mr. Speaker, I address a few issues presented by my colleague. As a former producer of the product and a health care professional and now a politician, I can certainly look at this through many windows. Being a member representing tobacco growers in my riding, I felt I had to comment on some of the statements made earlier.

As to the fact of the government not being concerned with the deficit, with the amount of contraband cigarettes we are not collecting revenue the way it stands now. Therefore the option given to us to roll back the taxes was an option that would help alleviate this problem and perhaps down the road reintroduce the taxes so that revenue would be regenerated.

With regard to the government's lack of concern for health, I have always been a non-smoker. My husband was a smoker and I have two children who are non-smokers. It was their decision not to smoke. It was their choice. They were certainly exposed to the element. We all are and it is our choice to do so. The government has not legislated common sense.

Therefore I speak on the issue from the respect that it is a legal product and we have to address it in that manner.

Mrs. Brown (Calgary Southeast): Mr. Speaker, I have nothing to say except that those comments are well received and well said. I thank the hon. member for them.

The Acting Speaker (Mr. Kilger): Before recognizing the member for Scarborough—Rouge River, I wonder if he could indicate to the Chair if he will be sharing his time or using the full 20-minute complement.

Mr. Derek Lee (Scarborough—Rouge River): Mr. Speaker, it is my understanding that members of the government side will be splitting their time from here into 10-minute segments.

I am very happy to be able to speak to the issue involving the government's initiative to address the very serious problem of

tobacco smuggling. It is my view the problem is not just a smoking problem, not just a revenue problem.

In my remarks today I want to choose a perspective that would target organized crime as the problem. Those who are professional organized criminals would probably argue with me that they are not the problem but rather simply a manifestation or symptom of another part of the problem. I differ with them at this time given the size and volume of the smuggling. In other very obvious problems in our society, organized crime is very much a part of the problem and I believe it is integral to the solution to this program and integral to solutions to other criminal problems we have in our society, which I will refer to later in my speech.

Bill C-11 has been adequately described here by the ministers and members from both sides of the House who have discussed it. It will facilitate police enforcement of the anti-smuggling measures. It will also permit authorities to begin or to continue or to redouble their efforts against the incentive to smoke.

(1245)

These are some new tools provided by Bill C-11 which I regard as relatively small in stature in dealing with the current problems of cigarette and other types of contraband smuggling. I think I agree with the previous speakers that enforcement is very much a part of the solution. However, it is not the only solution.

The measures announced by the Prime Minister on February 8 will hopefully permit us as a society in the short run and in the long run to deal with the problem of cigarette addiction. At the moment our initiative I believe deals with organized crime, revenue and interdiction, re-establishing an orderly Canadian market in the commodity of tobacco.

What is the background here? I sat in the last Parliament for five years. Relatively early in that Parliament it became apparent that cigarette smoking was going to be a very serious problem. It grew and grew to the point where 40 per cent of the existing \$12.4 billion Canadian tobacco industry was being controlled by smugglers. It was putting approximately \$5 billion per year into the pockets of smugglers.

I point out that 95 per cent of the smuggling operation was controlled by organized crime. That type of smuggling, the volume of it, and the existence of organized crime was causing very obvious social and economic distortions at least regionally in our country and perhaps arguably across the whole country.

If action had not been taken at this time, I suppose we would wish that action had been taken a year or two years ago. In any event, we are acting now. If action had not been taken, it is estimated that more than 50 per cent of the cigarette market would have been dominated by the so-called smugglers, organized crime, with a value to organized crime of \$6.2 billion.

Illegal tobacco seizures by the RCMP increased from 303 in 1990 to 5,044 in 1993, but even at that the RCMP told us that they were only seizing about 1 per cent of the illegal tobacco market.

Trafficking in illegal tobacco products had become an extremely lucrative enterprise. The profits to be made were so high that individuals involved in the drug trafficking trade are now engaging in the smuggling of contraband tobacco products. Traditional organized crime groups are also very much involved.

I want to cite a remark by the President of Colombia, a country that certainly knows organized crime very well, as I understand it, and is very much involved in the very unfortunate sequences that have befallen it in the drug trafficking trade. The President of Colombia said that the only law drug traffickers have not broken is the law of supply and demand. That is essential to my perspective in this particular intervention.

With the profit potential from contraband cigarettes gone, the organized crime elements that cause cigarette smuggling to virtually explode in recent years in our view will likely withdraw from the activity of smuggling cigarettes. With this new initiative the problem of contraband cigarettes will be dealt an effective and decisive blow.

(1250)

Cigarette smuggling is not the root of the problem. It is only a symptom, as I said before. The same applies to other problems of smuggling involving alcohol, firearms, pornography, prostitution, gun smuggling and gambling. The root of the problem is the opportunity for profit that each of these areas provides to organized crime.

When the Prime Minister responded, he responded by first listening to the experts. The experts, the police authorities in the country, told the Prime Minister that they, by using existing enforcement methods, could not control the volume of smuggling and illegal activity being fostered by organized crime. The government's response therefore is one that is based on the advice of the experts. We could see no other way to deal with this.

Our program is strategic and not based on a simple issue of profit or a simple issue of revenue or a simple issue of a person deciding or not deciding to smoke. We must look at the whole problem and I believe that is what we have done.

Organized crime has more monetary resources than many police agencies. Crime organizations typically use sophisticated equipment to identify intrusive devices and employ countersurveillance methods to elude detection while they are conducting their illegal transactions. They employ computers, legal and financial experts and others to assist in the day to day operations of their illegal enterprises. They use sophisticated money laundering techniques to divert substantial portions of their profits into legitimate businesses.

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Organized criminals attracted by high income activities, and these are high income activities, seek out crimes which produce the highest profit with the lowest risk. Current illegal activities, I have mentioned some of them, include not just tobacco, but alcohol, guns, gambling, prostitution, alien smuggling and pornography.

We could I believe literally fill our jails to overflowing with drug addicts, drug dealers and smugglers. As long as there is money to be made in the black market for any of these commodities, organized crime will have an incentive to recruit other people, other consumers and find other ways to carry on their illegal activity.

Integral to our strategy is the need to disable organized crime, at least in this field of tobacco smuggling.

Some examples of expert opinion are from Thomas O'Grady, Commissioner of the Ontario Provincial Police. He states: "Law enforcement communities, the public and appropriate levels of government", that includes us, "must continue to work together in developing laws and enforcement programs to make it both undesirable and unprofitable to organized crime groups to gain inroads in areas of gaming operations". There are similar views from all around the world published in Canadian legislatures, the United States congressional records, the United Nations records, European records, all focusing on this serious problem of profit as an incentive to organized crime.

I believe, much in the way we dealt with this particular problem of tobacco, we must also deal with drug addiction. We must be strategic. I would like to think that this government will have the ability, the opportunity and the support of Canadians to be able to deal with that other great evil of drug addiction by looking at the entire picture of taxation, of interdiction, of distribution of supply and demand, of all the laws when we address this serious problem of drug addiction.

(1255)

Ms. Hedy Fry (Parliamentary Secretary to Minister of Health): Mr. Speaker, I rise to support Bill C-11.

As members know, part of this bill deals with the Customs Act and the Excise Act and it therefore deals with issues such as seizure, enforcement, identifying smuggled goods and in fact with a lot of the law and order issues that pertain to smuggling.

The other part of this bill deals with the effects on young people of the lowering of the tobacco prices. I want to say that as a physician, my expertise has always been in the matter of health. My expertise is also with regard to smoking and anti-smoking issues. I have been involved in this issue for many years.

When I came to this House I was only aware of my one perspective. The issue to me was solely the effect of smoking on health. That issue has been well related by everyone here in the

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House today. It is no secret to anyone that smoking is the single most preventable cause of death and illness in the world.

It is no secret to anyone that the World Health Organization has said that from the year 1990 to the year 2000 if smoking continues at the rate that it is going, the number of people dying in the world from smoking will be over 40 million people which will be greater than all of the people who have died in all of the wars in the 20th century. That tells members that smoking is in fact a deadly disease and a deadly issue.

However, when I came to the House I was not aware of the other side of this issue, the issue of smuggling. It is well documented that in fact the increase in tobacco prices has had a significant effect and is perhaps the biggest gun in the whole strategy of anti-smoking legislation.

Increasing tobacco prices in fact decreases the access to tobacco for young people. We know that between the ages of 13 and 20 young people having access to tobacco have a great risk of addiction.

I was very concerned that one of the ways of dealing with the smuggling of tobacco had to do with the lowering of tobacco prices. However I am aware now of another group of experts in law enforcement and smuggling. I am not an expert in that. I am only an expert in health. Many people will say I am not but I suppose I am. They have said in their advice to the government that if one merely increases the export tax and uses enforcement measures it will not in itself have an effect on smuggling.

We have now reached a critical point in our increase in tobacco taxes. We had reached the point where we had almost come to the point where prohibition had reached with regard to alcohol when the United States had created a prohibition level. We have seen exactly what happened then begin to happen here with regard to tobacco smuggling.

Forty per cent of all tobacco sales was smuggled tobacco. Two million Canadians were buying contraband tobacco and many of those same Canadians were young people. The same young people who had no access to tobacco as a result of the increased prices were now having access to tobacco because of the cheap smuggled tobacco. The whole strategy of high prices had been undermined.

I support the bill because it deals with the issue of law and order on the one hand and with increasing the ability to seize, with increasing the ability to identify smuggled products and with increasing the enforcement of this smuggling activity of the RCMP and expanding this not only to RCMP and customs officials but I understand to local police.

I also want to support the second part of the bill which deals specifically with the government's understanding of the complexity of this issue. The government understands that lowering tobacco prices will affect the accessibility of tobacco to young Canadians. It has taken steps to mitigate the lowering of tobacco taxes via the Tobacco Sales to Young Persons Act. The amend-

ments to this act, which increase the age from 16 to 18, which decrease the ability of young people under 18 to bring tobacco into this country, which remove vending machines from everywhere else but bars, and which increase the enforcement and the penalties to anyone selling tobacco to minors, have put tobacco very clearly where it belongs and that is as a controlled product alongside alcohol. I would like to see the time when tobacco is treated like alcohol and sold only in liquor stores.

(1300)

The government has acted immediately and promptly to address a problem that has been allowed to sit for four years without any attention by the other government, so that it is now in the crisis position that we see it in. The government has dealt with a complex issue with sensitivity to both sides of the problem and with a clear commitment to the health of Canadians.

I hope that everyone here will see not only that this bill is worth supporting, but that it is urgent we support it so that we can get on with so many of the strategies that are necessary to improve the health of Canadians and to prevent us from having our young people have access to this lethal drug.

Mr. Jake E. Hoepfner (Lisgar—Marquette): Mr. Speaker, today I am speaking as a representative of the Reform caucus regarding Bill C-11. The House has already heard speeches from Reform Party members on this important issue and I am pleased to add my comments to this discussion.

The measures contained in Bill C-11 are secondary when compared to those in the government's action plan to combat smuggling. They allow the government to sell or destroy seized property even when there is an unresolved claim, and allow the government to give police forces the same seizure power as the RCMP. The bill also requires cigarettes to be stamped properly if they are manufactured or imported into Canada, to make sure duties have been paid.

This bill makes it illegal to manufacture a package or sell cigarettes in packages containing less than 20 cigarettes, the so-called kiddie packs.

I agree with my Reform colleagues that the exchange of ideas regarding all of the government's anti-smuggling measures and not just those contained in Bill C-11 cannot be delayed. It is of utmost importance to Canadians that they are studied in their full scope immediately.

In the time I have been a member of Parliament this issue has far outweighed any other in terms of number of responses from my constituents, the vast majority of whom oppose the government's action. Such is the magnitude of the impact these changes promise to have on Canadians. These consequences will be felt in many areas; law enforcement, justice, interprovincial relations and of course health, particularly the health of young Canadians.

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I would also make note of the fact that in Ontario tobacco production in 1993 was 173 million pounds. This was 5.5 million pounds over the tobacco marketing board's quota of 167.5 million pounds.

Is it not interesting that at the time when tobacco producers saw this large surplus, and this holds true also of the United States and some other foreign countries, the government introduced these measures which will undoubtedly increase tobacco sales? Indeed this is excellent news for tobacco companies.

As a farmer, I can tell the House that whenever there is an overabundance of product, the price has to go down to compete on the market. Here the tobacco companies are buying their inputs at a low cost and selling more of their product because of reduced taxes. They benefit first from low production costs and second from lower taxation. They are the clear winners with these measures and taxpayers are the losers because of the lost revenue and higher health care costs. Not of less concern in all of this is the financial implication of these measures.

(1305)

On February 8, 1994 the leader of the Reform Party gave his initial response to the government's announcement. He pointed out that the root cause of all these serious issues was the problem of government overspending. This was what led to overtaxation in the first place and brought about these ramifications.

While I recognize that financial implications are only one of the serious aspects brought to light by the government's anti-smuggling measures, I would like to focus on them today along with the broader issue of the federal government's tax policy. I believe the issues serve as an excellent example of how the government's priorities should be reviewed.

Several questions have to be asked of the federal government regarding these measures. First, I am interested to know what will be the overall cost of these measures. I can see that they will change many aspects of federal finances. One of the most obvious questions that arises is: Where will the government make up for the lost revenues from the rollback of cigarette taxes? As we know there is no magic pot of money from which this will be regained. Any extra revenue that has to be made up will come in the form of new taxes. In fact, the tax burden promises to create new taxation problems.

Another thing tax reduction promises is a public health disaster. This makes it very hard for Canadian smokers to quit an addictive habit and introduces the harmful habit to a whole new

generation of smokers. Aside from the human costs that cannot be measured, what about the cost to the health care system?

We have a situation where the federal government has decreased transfer payments to provinces for the past number of years. In some cases it is not enabling provinces to keep up with health care costs. Every Canadian knows that the health care system currently faces huge financial challenges. Health groups contend that extra health care costs associated with treating diseases in new smokers could be approximately \$1.3 billion per year. I would like to know if the government has figured out exactly how it is to pay for these increased health care costs.

All indications point to new taxes for Canadians. I wondered how much thought went into this bill when I noticed that the government was doing away with the so-called kiddie packs in an effort to reduce smoking among our country's youth and at the same time drastically reduce pack prices overall.

Simply put, kids are not stupid. They will quickly realize that through the government's action they can buy a regular size package of cigarettes at a lower price than their kiddie packs cost. One statistic states that when the price of cigarettes goes up 10 per cent, tobacco sales to adults drop by 4 per cent to 9 per cent and sales to teenagers drop by 10 per cent to 14 per cent. These similar statistics were made available to the government by health groups before its decision to reduce cigarette taxes.

It should come as no surprise that smoking will increase just as dramatically when taxes are reduced. That the government was made aware of this and still chose to lower taxes makes me think that it either does not have an adequate grasp of the reality of the situation or it simply does not care. Eight out of ten provinces lobbied strongly for the government not to lower cigarette taxes.

While on the subject of health care, I note that in my home province of Manitoba, 25 per cent of kids go to school hungry. Thousands of adults are forced to depend on food banks. Now we have a government that has not addressed these problems saying: "We can afford to forgo a half billion dollars in revenue by reducing cigarette taxes". Would it not make sense for a government to write off these losses by providing for lower food costs so more hungry people could be fed as opposed to providing cheap cigarettes to Canadians?

(1310)

It is a sad fact that governments in Canada have tried in vain to get their deficit problems under control by raising taxes instead of demanding better value from their spending. The notion that a deficit can be reduced from government revenue increases alone is a misguided one.

Higher taxes federally have failed to reduce the deficit and have in fact stalled the economy by cutting the spending power

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of the consumer by dampening new investment and by diverting growth into a flourishing underground economy.

Granted government measures are intended in part to address an aspect of the black market, but would it not make more sense to instead reduce taxes in an area that would spur Canada's economic growth? For example, agricultural producers in my riding have seen, with the rest of Canadians, a reduction in the country's international competitiveness on agricultural markets. This is not the result of low efficiency on the part of Canadian farmers, but rather because of the high input costs farmers face. This is directly attributed to tax policy.

I can give the House an example. In Manitoba the taxes on clear gasoline that is not used in the agriculture industry are 11.5 cents provincially and 8.5 cents federally. For diesel it is 9.9 cents provincially and 4 cents federally. Fuel for farming use however has no provincial tax but still has the same federal taxes of 8.5 cents and 4 cents. There is no federal tax break at all. This is just one example of how taxes are driving up input costs. In the government's attempt to squeeze every dollar out of Canadians, it is squeezing the life out of our economy. Where we should see tax breaks, they appear and where we should tax breaks, there are none.

An article in the *Financial Post* states this very clearly:

Federal policies are forcing more than one in five firms polled by the Canadian Chamber of Commerce to move or consider moving business out of Canada.

I have been told many times by entrepreneurs: "Yes, I love Canada and I do not mind paying my personal income tax here, but my future and my profits, if government keeps on taxing them this way, are going to be somewhere else".

In the farming community many are forced to get 50 per cent of their income from off farm employment because the business of farming is no longer profitable. Farmers have to supplement their income just to get by. Think of the effect this has on unemployment levels. There is evidence across the country. University educated professionals leave Canada for nations where the income tax rate and the cost of living are lower, and this is after we have paid to educate them.

What the government should be looking at is a tax break that would help farmers, or for that matter any Canadian business or industry, become more competitive and that would provide incentive for professionals to stay and make their careers in Canada.

I was shocked to learn recently that since 1961 Canada's tax freedom day has advanced 73 days. It is of particular note that in 1961 the tax freedom day fell on May 3. Last year it fell on July 15. Very soon we will not have enough time to sit down and light up a cigarette if this trend continues.

We are rapidly approaching a point where we will be working for governments full time just to pay for their debt creating

policies and bad spending decisions. In the face of such serious conditions, when the country is crying out for a large scale tax reform, this is what the government offers: lower taxes on cigarettes. Surely this cannot be what the government sees as most beneficial to Canadians at this time. Recently the revenue minister, vowing to kill the underground economy that costs the government billions of dollars, hired a shock troop of 500 additional tax auditors. This really displays what is wrong with the government's tax policy. Rather than give a tax break that would help kickstart the economy, it has decided to spend the money on hopeless efforts to regain revenue lost in the underground market.

(1315)

In conclusion, I hope I have managed to show how this bill and all its associated measures display how the government's taxation policy should be seriously reviewed.

The problems caused by overspending cannot be solved by overtaxation. Overtaxation of cigarettes has created the underground market in the first place and this is just one example of how high tax levels are stifling the economy.

By reducing the tax on cigarettes the government is opening itself up to costs of about half a billion dollars per year just for implementation. To this you can add billions more in increased health care costs. How will this be paid for? I am afraid that it can only be paid through increased taxes.

The actions do nothing to break the damaging cycle of taxing to pay for spending. If we do not break the cycle soon and allow ourselves to implement useful carefully considered tax breaks, Canadians will see their income taxed out of existence.

Mr. Paul DeVillers (Simcoe North): Mr. Speaker, the hon. member opposite indicated that he feels the reduction of taxes would lead to a windfall in effect for the cigarette manufacturers. He neglected to mention there are other parts of the action plan such as the \$8 a carton export tax and also the surtax on profits to the cigarette manufacturers.

I would appreciate hearing the hon. member's comments on what effect those measures would have on the cigarette manufacturers.

Mr. Hoepfner: Mr. Speaker, I appreciate that question. It is a well founded question.

What I was trying to point out is that after having 167 million pounds of production quota and another 5.5 million pounds over that, farmers are going to be forced to take a lower price for tobacco if it works the same as it does in other commodities.

With this increased sale of tobacco of 173 million pounds, that little bit of taxation that is going to be put on them by the federal government will not nearly compensate for the gains

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they are going to make on the huge amount of sales in the tobacco industry.

Mr. Glen McKinnon (Brandon—Souris): Mr. Speaker, might I through you ask a question about the differential in price between the American commodity and the Canadian commodity before the imposition of this new bill.

Does the member opposite feel that is contributing to an excessive amount of contraband smuggling?

Mr. Hoepfner: Mr. Speaker, I appreciate that question also. As the hon. member will probably realize, Snowflake is one of the best known smuggling ports in Manitoba. I do not think that it is the price of the American product that really has caused this underground economy.

It is the taxation on these products that has made it so lucrative. It is not just cigarettes in Manitoba. Liquor smuggling is twice as bad I would say as the cigarettes. If we look at the statistics which tell us that 90 per cent of liquor sold in hotels or restaurants could be smuggled, we start wondering what is next.

Another issue that we are addressing right now is gasoline. As the hon. member will know the drive across the border to fill up your tank is very lucrative or has been. With regard to farm production costs, it would make a lot more sense to take the tax off of gasoline so we could import our gasoline that we exported out of the country at probably two-thirds of the cost of what we are paying today.

(1320)

This is what I have been trying to point out. I do not think the cost of the products is really the big issue here. It is the overtaxation of these products. A lot of these products we produce in Canada, export them to the United States and then smuggle them back in because of the taxation problem.

Mr. Paul Szabo (Mississauga South): Mr. Speaker, I am pleased to rise on the debate on Bill C-11. I rise wearing many hats.

As a chartered accountant, I believe I have the ability to understand the financial implications of Bill C-11. As a former member of the Mississauga hospital board for nine years and serving as its vice-chairman, the health impacts certainly were of significant importance to the health care institution. As a member of Parliament representing my constituents and listening, as have many members, I have received numerous interventions from them asking questions and making suggestions on how we might further improve the legislation with regard to the health impacts and indeed with regard to smuggling.

I also speak as a father of three. I have three children aged 12 through 19. I am concerned of course about the implications to

my children and whether or not they will make the right decisions for them. There is a choice for Canadians.

I have been somewhat concerned about the confusion that may arise for the Canadian people as they listen to the debate from the context of an excise tax reduction alone. I want to clarify this. I think it is going to be very important for Canadians to understand that we have here a complex problem that is being addressed.

In my experience, for every complex problem there is a simple solution and it is wrong. I would like to outline, as we have already heard from the Minister of National Revenue, from the Solicitor General and from the Minister of Health, that this is clearly not a regional problem. It is a national problem.

Therefore the government on February 8 came forward with a four point program to deal with this complex problem. It understands that the cheap contraband tobacco has undermined Canada's health objective to reduce smoking, especially among young people. The issue is no longer how to keep prices high so that young people do not smoke. That is not the issue. The issue is how to keep contraband cigarettes out of the hands of young people.

I would like to make sure that all members understand clearly the dimensions of the problem. The problem is very severe. To give an idea to all members in the House, between 1990 and 1993 the number of seizures by the RCMP increased from 303 to 5,044 over a four year period. With regard to the value of those seizures, the increase went from \$4.1 million in 1990 up to \$53.5 million in 1993.

What about exports? We all have heard that the major source of the contraband smuggling has been exports to the United States, 90 per cent of which are coming back into Canada. Exports in 1990 were 11.3 million cartons. Yet in 1993 the exports were 62.8 million cartons. Clearly the dimensions of this problem are immense and growing very rapidly.

Finally, with regard to the number of charges that have been laid by the authorities with regard to smuggling, in 1990 there were only 414 charges laid whereas in 1993 there were 3,389.

(1325)

I am sure all members would agree we are not dealing with ordinary circumstances. We are dealing with a major problem. That must give members an idea of the magnitude of the disrespect that has been shown for the laws of Canada.

As has been pointed out by many members, but it bears repeating, illegal tobacco now accounts for 40 per cent of the Canadian tobacco market. Organized crime controls up to 95 per cent of contraband tobacco entering Canada.

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Furthermore, more than two million Canadians are buying this contraband. More than \$1 billion of federal revenue and an additional \$1 billion in provincial revenues has been lost as a result of this smuggling activity.

Hon. members must ask themselves this. If we are losing to our one taxpayer \$2 billion of revenue that could go to health care, social programs and employment initiatives, how can we ignore the problem?

On February 8, the government did come down with a four-point plan: the enforcement crackdown, a reduction of consumer taxes, a special action on tobacco manufacturers and also an initiative of the largest anti-smoking campaign in Canadian history. That was the initiative of the Prime Minister.

He spoke in the House eloquently, outlining to Canadians that having had full consultation with the provinces, having fully assessed the input from all sectors with regard to this complex problem, it was necessary for us to have a well rounded, comprehensive solution to deal with all aspects and not simply the health impacts as hon. members from the Reform Party seem to have been suggesting.

Bill C-11 was introduced by the Minister of National Revenue and the Minister of Health, both of whom spoke today very well on the amendments that are being proposed to support this February 8 initiative. Those amendments to the Excise Act, the Customs Act and the Tobacco Sales to Young Persons Act are all important complements to that initiative announced by the Prime Minister on February 8.

The amendments will provide Canada's law enforcement agencies with additional legal powers to end smuggling. It protects the health of young Canadians by banning the production of cigarette packages of less than 20 cigarettes, which we have referred to as kiddie packs, and the sale of tobacco products to persons under the age of 18. In addition, this legislation will require that each individual cigarette must bear a distinctive marking indicating that the duty has been paid.

Smuggling is a criminal activity that hurts all law-abiding Canadians. As all members know, law and order in our society is a very important issue. We were told throughout the election campaign and we continue to be told that Canadians want our laws to be enforced. They remind our government that we have a duty and a responsibility to enforce law and order in Canada.

That is why we need these amendments. It is to provide our police forces with the additional tools and flexibility that they are going to need to crack down on smuggling.

Since the initiative of the Prime Minister on February 8 and as a result of all the dialogues that have gone on since that time,

there have been a number of feedbacks from the community. I have a couple here of notable news to share with hon. members.

The Canadian Association of Chiefs of Police has welcomed the government's action plan. It says that by taking the profit out of sale, organized crime will quickly lose interest. We also note in the *Montreal Gazette* that it compliments the Prime Minister on his plan saying that the high tax, high price policy had been effective for a while in reducing smoking but it was no longer working. It was being gutted by something far uglier than legal, cheap tobacco, that is cheap tobacco from a large and violent criminal network.

There are some key messages that we have received from the Canadian public since the introduction of these plans. First, criminal law applies to every person in Canada and enforcement officers must and have been cracking down on smuggling wherever it occurs. Second, the new legislation will strengthen the ability of our police to enforce the law. Finally, the concerted federal-provincial action is the best way to crack down on smuggling.

(1330)

As a member of the Standing Committee on Health I would be remiss not to address the health issue. There is no question. This morning one Reform Party member in representing his party's interest said that they agree with the legislation of Bill C-11, except for the reduction in the excise taxes. I liken that to a table with each leg representing one of the four points of the Prime Minister's plan. The hon. member suggests that taking away one of those legs would still make the table a stable foundation for the activity to occur on it.

The hon. member will agree that by not having the excise tax reduction in combination with the export tax which is being applied, we would not have eliminated the profit motive for smuggling. It was absolutely essential to make this gesture so that from a financial perspective we could break the back of smuggling and get a handle on this situation. Hopefully through that, as the Minister of Health has indicated, we can return to a process of making sure young people do not have the incentive to smoke simply because of the accessibility of cigarettes.

I should acknowledge that the Canadian Medical Association wrote to all members. It complimented the government on three parts of the program but had concerns regarding the reduction of the excise tax. It is supportive and I know it is in consultation with the government and the Minister of Health. I know it supports the government in spirit.

We must deal with this major problem so that Canada can enforce its laws. Then we can get back to the creation of jobs and economic growth in Canada.

Mr. Leon E. Benoit (Vegreville): Mr. Speaker, the hon. member in his presentation indicated that a reduction in the excise tax would reduce the profit motive for smugglers. Does

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he believe that a reduction in tax generally would improve the situation for small business?

Mr. Szabo: Mr. Speaker, it is fair to say a reduction in the excise tax alone, disregarding anything else in lowering the price of a commodity would obviously make it more attractive to the marketplace. The hon. member's premise, however, is that having reduced the excise taxes it is hurting business. I do not imagine he considered that the contraband smuggling taking place had no impact on small business.

The idea of the government's initiative is to deal with contraband smuggling because every Canadian and every business in Canada is losing as a result of it.

Mr. Murray Calder (Wellington—Grey—Dufferin—Simcoe): Mr. Speaker, there has been a lot of conversation since the lowering of the taxes on cigarettes that the government is losing money. Taking into consideration the fact that 75 per cent of the cigarettes smoked in Quebec were contraband and 35 to 40 per cent in Ontario were contraband, could the hon. member explain something concerning the money we are supposed to lose out of taxes? Does that take into consideration the contraband cigarettes or just the cigarettes that are being sold? Obviously there is an increase in sales to the retail outlets in Quebec and Ontario. There might not be any tax loss at all.

Mr. Szabo: Mr. Speaker, there is no question in the estimates provided by ministry officials that in the near term there would be a net cost. However I have to applaud the minister and the Prime Minister for not anticipating some other benefits. One of the problems governments have had is anticipating revenues or benefits.

(1335)

As a clear example to the extent government introduces tough measures to deal with tobacco smuggling, that same framework and mechanism would also apply and create some benefits with regard to alcohol, drugs, arms smuggling, et cetera. None of these have been discounted or included in terms of the benefits that will accrue to the country as a result of these initiatives.

I wish I could be more specific as to the economics of the plan. Suffice it to say in the short term there may be an argument as to net cost. Clearly however government officials, business, industry and all Canadians believe the program is the right one for the long term.

Mr. Jerry Pickard (Essex—Kent): Mr. Speaker, I wish at some time we might have an easy issue to debate in Parliament but this certainly is not one. What is the problem we are addressing? It is a major health problem and there is no question about that.

I for one would be most happy if the federal and provincial governments never got one penny more in taxation from ciga-

rettes. Many Canadians feel the way I do. The reality is however that there are people who smoke and will continue to do so. As a result that habit has created a problem. Looking at this rationally and reasonably we have to deal with that health issue and this legislation is attempting to do that.

The problem is not only a health issue, it is an enforcement issue. An underground economy, an illegal business or trade, is being carried out in this country in monumental proportions. There is absolutely no question when looking at the facts. In Quebec over the last four years this contraband trade has gone from 9 per cent to 60 per cent. In Ontario it has risen from 13 per cent to 35 per cent. In the Atlantic provinces it has risen from 12 per cent to 40 per cent. Just last year in the west it increased from 9 per cent to 15 per cent, which is a 60 per cent increase.

There is an illegal trade going on which is very damaging to the country. It is also providing megadollars to those people who carry out many other illegal illicit trades.

When we hear about millions of dollars being made overnight in illegal tobacco and the expansion of this across the country, I do not think there is anyone in Canada who does not want to see very strong measures brought against that trade to stop it from continuing. Therefore there are certain steps to be taken which everybody in the House can agree to.

There are other problems involved in dealing with this trade. Number one is enforcement. How on earth do we stop this illegal trade and at what costs do we carry out that enforcement?

This problem is certainly mixed up with many things. I have received letter after letter from the cancer society, the medical associations and different groups concerned about the health of Canadians. They are very concerned that the excise tax has been removed from cigarettes.

(1340)

Let us look at what taxation has been put in place and the reason for it. The federal government in looking at the problem has thought the only way to stop the illegal trade in cigarettes is to cut the profits of those organizations carrying out this activity. The only way to cut the profits is to bring enforcement upon them so strongly they can no longer function and to take away their profit base.

The cutting of taxes takes away the profit base of the contraband trade. Looking at the ability for them to function, when we remove from a carton of cigarettes \$10 of provincial tax and \$10 of federal tax taking the gross sale from \$43 down to \$23, we reduce their profits substantially.

It is true that the Canadian government does not take in as much revenue. However as this contraband trade has been increasing the federal revenues have been declining dramatically. When we talk about the percentage of losses in Quebec and Ontario and other provinces, those are all losses in tax dollars.

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In reducing the excise tax on cigarettes we are reducing the profits of those people who sell illegal cigarettes.

When looking at the health problem we have to realize there are implications for all of our communities. Smoking cigarettes causes health problems in old and young people alike. Certainly the government has moved to correct some of that problem.

Looking at the health problem in general stopping young people from smoking is a major goal of this government. In order to prevent young people from smoking, a regulation has been brought in increasing the age for purchasing cigarettes up to 18 years. That makes it impossible for young people to buy cigarettes legally.

Members might say in some cases they can get cigarettes anyway. I would submit if contraband cigarettes are easily available, kids 11, 12, 13 and up will buy illegal cigarettes very easily. The resultant factor is as long as we allow the illegal trade to flourish and continue, more availability will be made for young people to purchase those cigarettes.

Therefore continuing along the same line as in the past would be counterproductive to health. There is no question it would diminish our ability to control the commodity and therefore allow more and more young people to get cigarettes at a very low price and to purchase them at any age they wish. The two major attacks on health would be gone.

The minister has also taken other steps to make certain there are more controls which brings me to the enforcement level. The RCMP has been given the power to work in larger numbers along with Revenue Canada customs officers. They will work against organized crime groups trying to stop the major suppliers of these cigarettes at any point. They will better patrol the borders by making certain there is 24-hour surveillance at many border crossings where there is only short-time surveillance now.

There are steps to very carefully check the sale of cigarettes across the counter within our communities in order to make it more difficult for traffickers at the street level.

(1345)

There is no question that it has to be a strong policing action with the RCMP as well as strong policing action with Customs Canada to create better enforcement. At the same time the bill is trying to open up that enforcement to provincial scope as well.

Provincial officers in the province of Ontario and in Quebec will be able to work hand in hand with the RCMP and customs officers to try to curb this growing illegal industry. I might remind people in this House as well that the profits of that illegal trade do go into organized crimes. There have been very strong

suggestions that groups from Montreal and Toronto such as Mafia organizations and Hell's Angels bicycle groups have all been involved with the illegal trade of cigarettes.

When it is stated that 95 per cent of the profits of illegal cigarettes goes into organized crime and works against Canadian society, we must take every measure we can to stop that from occurring.

There is absolutely no question when we look at the health problem and solutions to the health problem, they are not easy but the plan that has been put forth by the government is very logical. It is not easy to suggest that we reduce taxes and look as if we are caving in to organized crime.

At the same time it is taking the profits away from organized crime and creating an environment where their sales will not destroy more and more of the normal trade and therefore allow organized crime to totally control cigarette sales in this country.

It is important to realize too that there has been a manufacturers' tax placed on exported cigarettes to control the flow of cigarettes out of this country which are being recycled back into the country. The extra \$8 on export tax will cost anybody who is trying to buy those and bring them back into the country more money to operate that illegal trade.

As we look at the whole picture, the government has tried to take into account health measures, enforcement measures and tax measures in order to resolve a problem, hopefully bringing us to a more prosperous future.

[*Translation*]

Mr. Antoine Dubé (Lévis): Mr. Speaker, I would to start by making a comment. The hon. member mentioned that one of the provisions in this bill raises the legal age for purchasing cigarettes from 16 to 18 years of age. I simply want to point out that this measure was contained in Bill C-111 which was passed last year. However, the legislation only takes effect this year.

The hon. member did, however, raise some interesting questions about enforcement measures to control the sale of tobacco products. At one point, he said did not know how we would stop this illegal trade going on and what it would cost to carry out that enforcement. Therefore, I would like to send the question back to him and ask him to explain a little more how far his government intends to go in enforcing these measures?

[*English*]

Mr. Pickard: Mr. Speaker, as far as the number of agents goes, Customs Canada is presently putting an additional 350 people into increased enforcement. They are providing 24-hour service at 22 ports to handle more than 99 per cent of the commercial traffic in this country.

Government Orders

When we talk about increased police enforcement, the bill is to open the opportunity for provincial police forces to operate under the excise tax rules and regulations. Therefore without extra cost to the taxpayer, we are increasing the number of people who can effectively work in this area by hundreds of thousands when we consider the major police forces like the OPP in Ontario and la Sûreté du Québec in Quebec. Therefore policing has opened up very greatly as well.

(1350)

When it comes to the implementation of the age 16 to 18 law, it is very clear that there are different regulations in different provinces. However, in this case we are allowing or forcing the importation of cigarettes to be done only by people beyond their 18th birthday. Therefore we have changed the regulations and forced that age up two years from what it previously was.

Mr. Jake E. Hoepfner (Lisgar—Marquette): Mr. Speaker, I appreciate the hon. member's comments. He has pointed out very vividly that there are two big problems in this situation. One is overtaxation and the other is the law enforcement side.

I am wondering if the hon. member could comment on how we should deal with the law enforcement issue. The overtaxation issue I think we have dealt with because we have made it unprofitable to smuggle cigarettes. These same people who have been doing that will now be unemployed. I do not think they paid into the unemployment insurance fund. Will they now take a job at the minimum wage or will these people go somewhere else and smuggle other products? Are we again going to lower those taxes to do away with that issue?

Now we have lost revenue and probably created a health problem. When are we going to address the issue of law enforcement? That is the big problem that we have to look at because these people are not ordinary law-abiding citizens.

Mr. Pickard: Mr. Speaker, I appreciate the question.

Without strong measures being taken, as this government is doing right now, we would be caving in to chaos, as far as I am concerned, and to a lawless society which openly—and we have seen it very openly in this country—sells contraband products. It has spread across this country very widely. We have to look at some of the root causes of that.

I believe part of the root cause is the taxation structure. I believe part of the root cause is the dissension people feel toward taxes at this time in our history. I believe other parts of the root causes are suggestions by people in authority that law and order is not to be upheld or strongly adhered to.

It is very important for all Canadians to be sure that this government will uphold the law and bring in whatever measures must be taken in order to make certain that the law is enforced.

We do not worry about the people who would break the law. We punish them.

Ms. Val Meredith (Surrey—White Rock—South Langley): Mr. Speaker, thank you for the opportunity to debate Bill C-11.

Most of the elements of this bill are minor and insignificant. There is very little in Bill C-11 that will combat smuggling. The government believes it has eliminated the incentive to smuggle with the initiatives that were implemented by ways and means motion No. 3.

This may in fact be the case for cigarettes, but all it has done is change the contraband of choice. We already are hearing about increases in the smuggling of liquor. We know that guns, narcotics and illegal persons are also a part of smuggling organizations.

If the government were to follow the precedent it set with tobacco smuggling, we can assume that taxes on alcohol products will soon be dropped and that the laws against guns and illegal persons will be changed to remove the monetary gains. This is not a national action plan to combat smuggling. This is capitulation.

Do we solve the problem of smuggling cocaine and heroin by making them legal and selling them across the counter? It would certainly solve the problem of drug smuggling, but are we prepared to live with the social consequences of such actions?

These laws against smuggling are there for a reason and they must be enforced. Taking the course of action that this government is taking sends the wrong message. It tells Canadians that if enough people engage in illegal activity, the government will give in and change the law.

(1355)

With regard to the elements of the bill they are for the most part insignificant. However there is one area of concern that I have with the bill. My concern is with the amendments to the Excise Act and the Customs Act that would allow seized property to be sold or destroyed even if the claim is still unresolved. We are told the reason for this is to reduce storage costs and will apply mainly to tobacco and alcohol seizures, but it will also apply to the seizures of the vehicles that brought in anything considered contraband.

I am currently assisting a constituent who recently won a Federal Court decision against improper customs seizure. Unfortunately for this individual the court decision came 10 years after the seizure. Unfortunately for the Canadian taxpayer a \$200,000-plus award has grown to in excess of \$400,000 with interest payments.

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Rather than providing the minister with the authority to dispose of seized goods, it may be in the best interest of both the accused and the Canadian taxpayer to develop a dispute mechanism which is made up of an independent assessment authority which could hear such disputes and avoid enormous court costs resulting from lengthy court challenges.

As for other aspects of the bill the amendment to the Excise Act giving non-federal police forces the same seizure powers as the RCMP is probably long overdue. Removing bureaucratic barriers in enforcing the law is preferable to capitulation.

However it is with the amendments to the Tobacco Sales to Young Persons Act that the government is operating at its hypocritical best. It is trying to convince us that by making it illegal to manufacture or package cigarettes in packages containing fewer than 20 cigarettes that smoking among young people will not increase. It is trying to convince us that by making it illegal to sell or offer for sale cigarettes in packages containing fewer than 20 cigarettes that smoking among young people will not increase. It is trying to tell us that by prohibiting the importation of tobacco products by or on behalf of persons under the age of 18 that smoking among young people will not increase.

The government is not telling us about one important issue, that because it lowered the price of cigarettes that more young people are going to start smoking. We have all seen the graph and it clearly indicates that with a sharp increase in the price of cigarettes, there was a proportionate drop in the number of young people smoking.

I imagine that we will soon see a graph that shows that with the dramatic decrease in the price of cigarettes there will be an increase in the number of young smokers.

Will it be difficult to enforce these amendments to the Tobacco Sales to Young Persons Act? I do not think so. Why would tobacco companies want to make packages of less than 20 cigarettes today? Thanks to this government the price of a package of cigarettes is now about half of what it was last month. The amendment to prohibit the importation of tobacco products by anyone less than 18 years of age is redundant. Why would anyone go across the border to buy cheap smokes when they can buy them at the corner grocery store?

If these amendments had been introduced prior to the government capitulating in the ways and means motion No. 3 they may have had some meaning.

It is ironic on one hand to see the Minister of National Revenue talk tough about eliminating smuggling and the underground economy while on the other hand being part of a government that is quick to capitulate. I wonder if the government will likewise be willing to surrender to the ever expanding underground economy. With more and more Canadians involving themselves in the multibillion underground economy, and

probably many more will be ready to join them after the budget comes down this afternoon, is this government prepared to reduce all of its taxes?

Given the government's philosophy that lower taxes will take away the incentive for illegal behaviour, it seems natural that the government would reduce the tax burden to eliminate the financial incentives for participating in the underground economy. Of course it will not. Where would it get the money to make up for lost tax revenue? Where is the federal government and those provincial governments which are participating in this joint program going to get the lost revenue from the cigarette taxes?

(1400)

Taxes on cigarettes were high but they were there for a reason. The toll that cigarette smoking has inflicted on the Canadian health system is even higher. Now all Canadians will have to subsidize the increased shortfall.

I am afraid that what the government has done in this instance has sent a loud message that if enough people are ignoring the law, do not worry, we will change it. What the government should have done is enforce that law and enforce all the laws that were there. If a law has the support of Canadians it must be enforced. There was support from the community for higher taxes on cigarettes.

Calls to my office were six to one against lowering the taxes on cigarettes. If my constituents oppose the lowering of any tax we have accomplished something. They do not like taxes. They want taxes lowered but they want them lowered in a sane and reasonable manner across the board. The government should have concentrated on enforcement, not on isolating tax cuts to contraband cigarettes.

Unfortunately some Canadians need the occasional reminder that there are laws in the country and that they have to be enforced. There are laws against speeding in this country despite the fact that most of us speed. The mere sight of a police car on the side of the road is enough to slow most of us down.

The Speaker: It being two o'clock p.m., pursuant to Standing Order 30(5), the House will now proceed to statements by members, pursuant to Standing Order 31.

STATEMENTS BY MEMBERS

[English]

POST-SECONDARY EDUCATION

Mr. John Murphy (Annapolis Valley—Hants): Mr. Speaker, recently the Students Union of Nova Scotia forwarded to me a recommendation that federal education transfer payments be made on the basis of the size of provincial student populations.

Presently federal funding for post-secondary education is based on the overall population of each province. This formula has worked against and is a detriment to Nova Scotia.

Due to the large number of out of province students studying at institutions such as Acadia University in my riding of Annapolis Valley—Hants, our provincial population has a much larger ratio of students than most. Current funding, however, does not reflect this reality.

I support the recommendation made by the Students Union of Nova Scotia and I urge the government to give full consideration to this important proposal.

* * *

[Translation]

CITY OF JONQUIÈRE

Mr. André Caron (Jonquière): Mr. Speaker, I would like to draw attention to the publication of a guidebook called *Jonquière, mémoires et lieux* that illustrates and interprets the architectural heritage of the city of Jonquière, in the Saguenay—Lac-Saint-Jean region. This book shows the evolution of the city since it was founded in 1847.

The authors, Luc Noppen and Lucie Morrisset of Laval University, mention the uniqueness of Arvida, home of Alcan and now part of the city of Jonquière. Arvida, which was built between 1926 and 1928, is distinguished by its innovative town planning and its original architecture.

On the eve of their city's 150th anniversary, the people of Jonquière worked in close collaboration to produce this book, which commemorates architectural treasures often overlooked and sometimes forgotten.

* * *

[English]

STEPHEN GOUGH

Mr. Andy Scott (Fredericton—York—Sunbury): Mr. Speaker, I would like to acknowledge that Stephen Gough, the only Olympic athlete from New Brunswick, begins his first of three short track speed skating competitions today in Lillehammer. Stephen is from my riding of Fredericton—York—Sunbury. I want to publicly wish him well on behalf of the people of my constituency, the people of New Brunswick and indeed all Canadians.

As one of 110 athletes representing Canada in the Olympics, he is the the fourth skater in the 45 lap relay race.

Stephen has an impressive speed skating record. Just last month he ranked second at the Lake Placid Pacific Rim meet, placed fifth out of 66 in the pre-Olympic 500 meter race in Norway and earned a first place ranking in the relay as well.

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While he makes Canadians proud as a representative in Norway, I know that he will be extremely successful during competitions as well.

* * *

(1405)

SCOTT TOURNAMENT OF HEARTS

Mr. Andrew Telegdi (Waterloo): Mr. Speaker, I am pleased to inform the House that Waterloo will be hosting the biggest women's sporting event held in Canada, the Scott Tournament of Hearts. It is the Canadian women's curling championship.

We are very honoured to be able to hold this prestigious event at our newest facility, the Waterloo Recreational Sports Complex, from February 26 to March 5. Teams from across Canada will be represented, including Team Canada from Saskatchewan which went on to win the world championship in Switzerland last year.

We in the Waterloo region are very excited about hosting this event. I would like to extend an invitation to my colleagues and to all Canadians to come and join us in these festivities.

* * *

GRAIN HANDLING

Mr. Jake E. Hoepfner (Lisgar—Marquette): Mr. Speaker, on January 31 I urged the Minister of Human Resources Development to declare grain handling an essential service. Because of his failure to respond immediately, the grain industry is now experiencing devastating losses of more than \$10 million. The canola, flax and rye business may have been lost permanently. The elevator system is operating at 90 per cent capacity, leaving many elevators plugged.

The strike's impact on grain flow to the west coast is difficult to measure in dollars, but it is expected to take until June for wheat barley movements to return to normal.

Now longshoremen at the port of Montreal and grain handlers at Lakehead are in a position to strike.

The federal government must immediately enact legislation that would declare grain handling an essential service to prevent any further disruptions that would compromise our western economy.

* * *

TOURISM

Mr. Brent St. Denis (Algoma): Mr. Speaker, the tourism industry in Canada provides our national economy with many opportunities for job creation and community development. Right now it is a \$28 billion industry.

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The future of tourism is bright but it is necessary that we take steps now to ensure full realization of our national and regional tourism potential.

In Algoma riding we are blessed with the north channel of Lake Huron which is among the world's top ten boating areas. We have pristine lakes and forests. Our Cambrian Shield mountains are spectacular. We have a great number of Canada's best trout lakes. My riding has fishing, hunting, sightseeing, cross-country and downhill skiing, canoe routes, fly-in camps, hospitality training and much more.

The Manitoulin, Espanola, North Shore, Elliot Lake, central Algoma, Sault Ste. Marie and east Superior shore areas have developed an excellent tourism infrastructure, but much more needs to be done.

Let us recognize tourism for what it is, one of our best opportunities for economic growth. Let us all start smiling because Canada has all it takes to be a world tourism leader.

* * *

[Translation]

FIGHT AGAINST CIGARETTE SMUGGLING

Mr. Gilbert Fillion (Chicoutimi): Mr. Speaker, it only took two weeks for the Ontario government to realize how detrimental cigarette smuggling can be, a situation that the Quebec government has lived with for nearly five years.

The Ontario government finally saw the light and announced yesterday that it would join the federal, New Brunswick and Quebec governments in their plan to fight cigarette smuggling.

In a moment of lucidity, Mr. Rae finally understood that the smuggling plague has become a national problem in Canada. By hesitating, the Rae government compromised the implementation of a national anti-smuggling plan.

It seems that Mr. Rae forgot about the virtues of co-operative federalism for several unfortunate hours.

* * *

[English]

SMALL BUSINESS

Mr. Lee Morrison (Swift Current—Maple Creek—Assiniboia): Mr. Speaker, I have a copy of a letter from Harvey Wiebe, one of my constituents, to the hon. Minister of Finance. It reads:

As a small business person, I account for about 200 jobs. I know that many people like me have already moved their money and their energy off shore. The loss of these people is far greater than the loss from people who have gone underground. Just think, 25,000 people like me could create 5,000,000 new jobs.

Unlike big business, my group does not want subsidies. We can be compared to a carpenter building a house. Every time we reach for a tool the government has taken

it away. We do not mind sharing our house, but for the sake of Canada, let us keep our tools.

I believe that you know what you need to do. I also believe that you lack the courage to do it. You will earn far more support if people have hope, than you will by pandering to the wealth consumers.

* * *

(1410)

AVRO ARROW

Mr. Leonard Hopkins (Renfrew—Nipissing—Pembroke): Mr. Speaker, it was 35 years ago Sunday, February 20, 1959, that the Diefenbaker government cancelled the Canadian made Avro Arrow aircraft which was the sleekest and most advanced military plane of its day. Thus ended a second national dream for Canada.

Janusz Zurakowski, who had a distinguished military career in Poland, Britain and Europe, arrived in Toronto in 1952 and became the first test pilot for the Avro Arrow. Jan and his wife Anna own Kartuzy Lodge near Barry's Bay in my constituency. When asked about flying so fast he said: "It feels just like flying slowly, only faster".

The Arrow could fly at twice the speed of sound. It would still have been a modern aircraft in the early 1980s when we spent many times the cost to buy CF-18 aircraft from the United States.

The Diefenbaker government ordered the six Arrows already built to be cut up for scrap. All records, all factory facilities, all plans of any kind were ordered destroyed. What a sad commentary on a fantastic Canadian achievement.

As Canadians, let us build from our fires of success, not from our ashes. The Janusz Zurakowskis will be glad to see the change.

* * *

APPRENTICESHIP PROGRAMS

Mr. Peter Adams (Peterborough): Mr. Speaker, co-operative programs are an approach to technical and technological education which is flourishing in Canada. In this approach students go out from their base in school to gain experience in the workplace.

However, another approach, apprenticeship programs, is doing very poorly here. In this case students are trained in the workplace, reaching out for school programs as required.

The number of apprentices and the quality and relevance of apprenticeship programs in Canada have declined drastically.

One industry in Peterborough which used to have hundreds of apprentices now has only four. One reason for this is that apprentices often receive qualifications which are restricted to

their province. Only 14 per cent of apprentices in Ontario earn licences to work elsewhere in the country.

This is a national disgrace and it is as tragedy for well trained people who find themselves trapped in a province in which the economy is slack.

I urge the government to move quickly on the national apprenticeship program. We need a highly trained, highly mobile, truly national workforce.

* * *

[Translation]

PROVINCIAL RIDING OF BONAVENTURE

Mr. Yvan Bernier (Gaspé): Mr. Speaker, to deal with the problems of unemployment, the exodus of young people and the over-exploitation of natural resources, the people of Bonaventure in a byelection yesterday chose Marcel Landry and the Parti Québécois, thus showing their desire for change and that they want to make Quebec a sovereign state.

As the great Quebec poet, Félix Leclerc, said so well: "The Gaspé is in all of us—a mysterious, silent, patient land. The cry that will frighten everyone will come from there".

After 37 years of Liberal rule, this byelection is a real thunderbolt in the Quebec sky and we are pleased with it.

* * *

[English]

WINTER OLYMPIC GAMES

Mrs. Diane Ablonczy (Calgary North): Mr. Speaker, I take this opportunity to commend our Canadian athletes at the Winter Olympic Games in Lillehammer, Norway.

These athletes deserve our full support and recognition for their hard work and the commitment they have shown to excellence in their sport.

I wish to make special mention of one such athlete, Susan Auch, a resident of my riding of Calgary North who on Saturday, February 19, 1994 captured a silver medal in the 500-metre speed skating competition at Hamar Olympic Hall. Susan is the first Canadian woman to win an Olympic medal in long track since 1976.

On behalf of the residents of Calgary North I want to extend sincere congratulations to Susan Auch for her outstanding achievement.

(1415)

BILINGUALISM

Mr. Benoît Serré (Timiskaming—French River): Mr. Speaker, I want to address statements made in the House on numerous occasions by the hon. Leader of the Official Opposition.

The hon. member often refers to our country being divided in two, with Quebec on one side and English Canada on the other, thus implying that Quebec is French only and the rest of Canada is English only.

I believe this is an injustice and an insult to the 20 per cent of Quebecers who are not of French origin; to the over one million francophones outside Quebec; and as well to the 35 per cent of Canadians who are neither of French or English origin.

I call on the hon. Leader of the Opposition to respect all Canadians of all origins and to please refrain from making such statements in the future.

* * *

[Translation]

VIOLENCE AGAINST WOMEN

Mr. Nick Discepola (Vaudreuil): In November, Mr. Speaker, Statistics Canada published the findings of a survey of 12,300 women across Canada. The results are frightening: one woman in two has been the victim of violence at least once since the age of 16 and one in ten has feared for her life.

In my riding, the situation is even more serious because there is no women's shelter. The riding of Vaudreuil has a population of 110,000, 80 per cent of whom are French-speaking. Women who need a shelter for themselves and their children must go to the West Island of Montreal, an English-speaking community.

At present, La Moisson, a counselling and referral centre, tries to help battered women, but it is only open five days a week, during office hours.

In its last fiscal year, La Moisson responded to 478 requests from battered women and the demand has doubled since October.

The situation is serious and that is why I ask the Minister of Public Works and Government Services to deal with this issue and solve the problem as soon as possible.

* * *

[English]

STAY IN SCHOOL PROGRAM

Hon. Audrey McLaughlin (Yukon): Mr. Speaker, these days we hear a lot about youth crime and youth unemployment but

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what we do not often hear about are the successes. We do not often celebrate the fact that when Canadian young people are given a chance they can go on to achieve great things.

The Dawson City, Yukon, Stay in School Program is one such success story. Under the dedicated direction of school counselor, Mr. Jim Johnston, the dropout rate has declined from 40 per cent to 1 per cent in three years.

The federal government has ended funding for this program in Dawson City, Yukon. The government says that it wants to tackle unemployment. One of the best ways is for our young people to get a good education.

In the name of the young people in the Yukon territory and in Canada I urge the government to reinstate funding for the Stay in School Program in Dawson City, Yukon.

that current diplomatic initiatives in Washington and Moscow will be sufficient.

Right Hon. Jean Chrétien (Prime Minister): Mr. Speaker, the decision made ten days or so ago respecting the ultimatum and the siege of Sarajevo produced the expected results. So, for the time being, should we pursue this course of action? I think that the actions taken so far have been successful and that the ideal solution would be for the warring factions to end this distressing situation.

(1420)

Hon. Lucien Bouchard (Leader of the Opposition): Mr. Speaker, by their firm and effective concerted efforts, the Allies have demonstrated that the proof is indeed in the pudding. Is a good solution in one case not worth a try in other cases? That is the question and I think that the government will have to answer it very soon.

Should the peace process require the build up of peacekeeping troops in Bosnia and throughout the former Yugoslavia, would the government be prepared to reconsider its decision not to detach additional Canadians peacekeepers?

[English]

Right Hon. Jean Chrétien (Prime Minister): Mr. Speaker, what the Minister of Foreign Affairs said last week is the position of the government.

As a country we have the third largest contingent there. We have been at every peacekeeping mission around the world. Some countries have nobody there and it is a good occasion to send some people. If more countries are involved it is better for the world. Canada has always been quite generous, but others should take their share of the load too.

* * *

[Translation]

ORAL QUESTION PERIOD

[Translation]

BOSNIA

Hon. Lucien Bouchard (Leader of the Opposition): Mr. Speaker, my question is for the Prime Minister. According to United Nations Protection Forces officials, dozens of Serb heavy infantry weapons were still not under the control of UN forces in Sarajevo yesterday, but the UN expected to gain control over them some time today. All the while, Serb bombing continues over Bosnian enclaves like Tuzla and Bihac, while talks continue in Moscow and Washington in the hope of achieving a peaceful settlement and bringing lasting peace to Bosnia.

Can the Prime Minister tell us whether his government supports the proposal to put Sarajevo under UN protection and, in that context, is he prepared to reconsider the decision made by the Government of Canada to withdraw Canadian peacekeepers from Bosnia?

Right Hon. Jean Chrétien (Prime Minister): Mr. Speaker, no decision has been made concerning central Bosnia following France's proposal with regard to the status of the city of Sarajevo. This is a very interesting proposal, but we are not through consulting with other countries before making a decision.

As for the presence of Canadian troops in Bosnia, a final decision will be made by the end of the mission slated to end in late March or early April.

Hon. Lucien Bouchard (Leader of the Opposition): Mr. Speaker, I would also like to ask the Prime Minister whether he is considering issuing further ultimatums to bring hostilities to a stop in enclaves such as Tuzla and Bihac, or whether he trusts

INDIAN AFFAIRS

Mr. Michel Gauthier (Roberval): Mr. Speaker, yesterday, during Question Period, the Minister of Indian Affairs twice refused to answer our questions about Mr. Jerry Peltier's status in the federal government during the Oka crisis. Now that he has had time to inquire about this matter, can the minister tell us if Mr. Jerry Peltier was working for the federal government during the Oka crisis and what was his status?

[English]

Hon. Ron Irwin (Minister of Indian Affairs and Northern Development): Mr. Speaker, as I understand it, the allegation is that Mr. Peltier was employed by the former government at the time of the Oka crisis. I do not know if that is correct or incorrect. If my hon. friend has information to that effect, will he please bring it forward and it will be examined.

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It is difficult in the daily operation of a band to go in and interfere because of the inherent right of self-government. On the other hand, we have an onus to make sure there are checks and balances that work.

As minister I have instructed my officials to examine the allegations carefully. Hopefully there will be some evidence forthcoming from my friend. I am committed to bring fiscal accountability to the House and present any reports that we have.

[Translation]

Mr. Michel Gauthier (Roberval): Mr. Speaker, once the minister has checked the facts, would he tell the House for what type of services Mr. Peltier was paid \$25,600 in retroactive fees?

[English]

Hon. Ron Irwin (Minister of Indian Affairs and Northern Development): Again, Mr. Speaker, if I might reiterate, this is an allegation. Even though it is done in the protection of the House and not outside, perhaps it should be treated a lot more carefully but my learned friend obviously does not want to.

If the allegation is that there was an irregular payment to anyone at a band level or with whom we are dealing with, any place in government, then bring forward the evidence and we will check it out.

At the same time I have asked my official to check out the allegation and look into the books of the former Tory government to see what is there. I am quite prepared to give that information to my friend.

* * *

PROVINCIAL BYELECTION

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

Last night PQ candidate Marcel Landry stormed to victory in the Bonaventure byelection.

Some hon. members: Hear, hear.

Mr. Manning: Bonaventure has been considered to be the most federalist riding in Quebec. With a provincial election looming on the horizon, does the Prime Minister acknowledge the need for a new and more vigorous strategy to increase support for federalism in Quebec?

Right Hon. Jean Chrétien (Prime Minister): Mr. Speaker, the best decision to that effect was by the Canadian people on October 25 when they replaced the former government with a Liberal government.

Some hon. members: Hear, hear.

(1425)

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

When Quebecers vote for sovereignists, does the Prime Minister believe—we are seeking the advice of the Prime Minister—they are rejecting federalism in principle or are they simply rejecting the kind of federalism offered by traditional federalist parties?

Right Hon. Jean Chrétien (Prime Minister): Mr. Speaker, I am very pleased by the preoccupation of the leader of the Reform Party. I am happy he wants to make a contribution. If he wants to make a contribution he should support the policies of this government in favour of bilingualism.

Mr. Preston Manning (Calgary Southwest): Mr. Speaker, I know that the Prime Minister is concerned about this issue. Therefore, I ask what specific steps, and I stress specific, will he take between now and the upcoming provincial election to sell Canadian federalism in Quebec?

Right Hon. Jean Chrétien (Prime Minister): Mr. Speaker, the best way to sell federalism in Quebec is to have a good, efficient, honest government in Ottawa.

Some hon. members: Hear, hear.

* * *

[Translation]

INDIAN AFFAIRS

Mr. Claude Bachand (Saint-Jean): Mr. Speaker, last Saturday *La Presse* reported that Kanesatake was in financial straits. The Department of Indian Affairs reached an agreement with the band council to address this financial crisis.

We have also learned that the government has ordered an internal review on the management practices used by the band council. Will the Minister of Indian Affairs agree to table in this House the outcome of this review?

[English]

Hon. Ron Irwin (Minister of Indian Affairs and Northern Development): Mr. Speaker, as I have indicated, certainly.

[Translation]

Mr. Claude Bachand (Saint-Jean): Mr. Speaker, could the minister tell us the total amount of interest-free loans his department granted to the band council of Kanesatake?

[English]

Hon. Ron Irwin (Minister of Indian Affairs and Northern Development): Mr. Speaker, I am getting a lot of exercise getting up and down that I am not getting at the gymnasium which I cannot find. The answer is yes.

Mr. Jack Ramsay (Crowfoot): Mr. Speaker, I have been advised that the Minister of Indian Affairs and Northern De-

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velopment told members of the Slave Lake bands at their recent meeting that he was going to abolish the Indian Act.

Would the minister tell the House what he intends to replace it with?

Hon. Ron Irwin (Minister of Indian Affairs and Northern Development): Mr. Speaker, if my hon. friend would care to read it, this is a very important component of the red book. We are committed to devolving and getting rid of the Indian Act in a morally and pragmatic manner over a number of years. That is what the non-native community wants. That is what the native community wants. Hopefully the government with some perseverance will be able to deliver.

Mr. Jack Ramsay (Crowfoot): Mr. Speaker, I have a supplementary question. The *Edmonton Sun* reported that during the same meeting the minister stated: "The Reform Party hates Indians and they want to be seen as the defender of the white man".

I ask the minister, did he make that statement?

Hon. Ron Irwin (Minister of Indian Affairs and Northern Development): Mr. Speaker, again to the hon. member, I hope that the Reform Party will show some consideration toward the aspirations of the aboriginal people. I am prepared to work with the Reform Party toward the inherent right to self-government.

Today I would ask the hon. member to stand in his place and say that he believes the inherent right to self-government belongs to the aboriginal people.

* * *

(1430)

[*Translation*]

IMMIGRATION

Mr. Osvaldo Nunez (Bourassa): Mr. Speaker, my question is directed to the Minister of Citizenship and Immigration.

Yesterday morning we heard that starting this fall, the minister would begin replacing the landing record immigrants currently receive with an identification card. The card would contain information such as the immigrant's name, date of birth, nationality and photograph.

Does the minister realize he is creating two classes of Canadians: those who have to carry this ID card and those who do not?

[*English*]

Hon. Sergio Marchi (Minister of Citizenship and Immigration): Mr. Speaker, the ID card is not new. It was made public last summer to NGOs and lawyers. The ID card simply replaces the large piece of paper all immigrants are given once they are landed.

There are two reasons we are replacing the big piece of paper by the small card. First, the big piece of paper can be forged and is easily duplicated. It is being sold at high cost on the black market. The small card is a state of the art technique and will certainly minimize that kind of fraudulent activity.

The second reason is that many landed residents have requested small cards for their wallets to be used as ID cards until they receive citizenship cards. Therefore it also has that practical application which was asked for by the very people who will be carrying them.

There is nothing untoward. Nothing more can be accessed than what normally can from our normal passports. Is the member also suggesting we not have passports?

[*Translation*]

Mr. Osvaldo Nunez (Bourassa): It is not the same card. Immigrants did not ask for it.

Considering the threat to privacy such a card constitutes, will the government agree to have a genuine debate before making a decision that restricts people's right to privacy?

[*English*]

Hon. Sergio Marchi (Minister of Citizenship and Immigration): Mr. Speaker, the member is making a silly argument. I just finished saying that all landed residents now receive a form.

I am sure Canadians and immigrants understand we are trying to stop fraudulent duplication and to prevent those who so wish from illegally obtaining those cards. It also offers the prospective landed immigrant an ID card. We will not be able to access anybody's dirty laundry through this form. We are simply trying to make it better for those who use it and difficult for those who want to abuse it.

* * *

EMPLOYMENT

Mr. Monte Solberg (Medicine Hat): Mr. Speaker, my question is for the Minister of Human Resources Development.

As I mentioned last week, a recent segment of the TV program "Venture" referred to a departmental study that says the current training programs under the human resources department are not only not helping but may actually be hindering those people who are trying to find work.

Will the minister table this document in the House of Commons?

Hon. Lloyd Axworthy (Minister of Human Resources Development and Minister of Western Economic Diversification): Mr. Speaker, as I said last week, that information has always been available if the hon. member would avail himself of

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it. There is nothing secret or hidden. We would be glad to table any evaluation that has been given.

I want to point out that the training programs are part of the general review we have undertaken in this Parliament. There is more than enough opportunity within the parliamentary committee and in discussions with the provinces to take a look at how we can apply training.

I would only make this small caution to the hon. member. I do not think he should use a small segment of a media report to make a general condemnation of a training program that has provided opportunities for hundreds of thousands of Canadians.

Mr. Monte Solberg (Medicine Hat): Mr. Speaker, I have a supplementary question.

If studies from his own department indicate that the current training programs which cost billions of dollars every year are not helping people get new jobs, why are taxpayers continuing to fund them?

Hon. Lloyd Axworthy (Minister of Human Resources Development and Minister of Western Economic Diversification): Mr. Speaker, frankly the hon. member asks the question out of ignorance. That is not what the report states.

(1435)

The report says that in key areas such as workplace training, skills training and literacy training this kind of expenditure provides enormous service and opportunity for many Canadians to upgrade their abilities. It provides a new investment in human resources to give this country the kind of hope for the productivity it needs.

I would say to the hon. member that to make that kind of blanket criticism and condemnation without knowing what he is talking about is doing a disservice to the many people presently involved in the training programs.

* * *

[Translation]

HEALTH

Mr. Jean-Paul Marchand (Québec-Est): Mr. Speaker, there seems to be unanimous support in the dairy industry for demanding that the federal government prohibit sales of the BST hormone in Canada, since Canadians are worried about the effects of this growth hormone on human health.

My question is directed to the Minister of National Health and Welfare. Considering this unanimous position, could the minister guarantee that there will be at least a six-month moratorium on the sales of BST in Canada?

[English]

Hon. Diane Marleau (Minister of Health): Mr. Speaker, as I explained before, BST is a biotechnological synthetic hormone. It matches what cows already produce naturally. When injected in cows it increases the volume of milk production.

My officials are now reviewing the drug. They are doing some clinical studies on its effects. To date they have not issued a notice of compliance. Once all the clinical trials have been done and it is proven the milk is absolutely safe and there is absolutely no difference, we have very little recourse but to issue the notice of compliance at that time.

[Translation]

Mr. Jean-Paul Marchand (Québec-Est): Mr. Speaker, we know the effects of BST, but the fact remains that the dairy industry is very worried.

Could the minister give us guarantees that the interests of consumers and the dairy industry will take precedence over the interests of the pharmaceutical industry?

[English]

Hon. Diane Marleau (Minister of Health): Mr. Speaker, my responsibility is for the health of Canadians and I take that very seriously.

It is very important that all of the clinical trials be done on BST so we can reassure Canadians that the milk is absolutely safe. That is my role as health minister and I intend to fulfil it.

* * *

IMMIGRATION

Mr. Herb Grubel (Capilano—Howe Sound): Mr. Speaker, my question is for the Minister of Citizenship and Immigration. I was an immigrant and I am now a citizen of Canada.

Some hon. members: Hear, hear.

An hon. member: Now you want to lock the gate.

Mr. Grubel: This question is in the name of Canadians concerned about the country's financial crisis. Next year Canada will admit 111,000 family reunification immigrants. Many of them will be persons of an age where they will be unable to contribute to Canada's social programs. These individuals are entitled to free medicare.

Would the minister please tell the House what he expects the cost of the medicare services required by these immigrants will be?

Hon. Sergio Marchi (Minister of Citizenship and Immigration): Mr. Speaker, this party mentioned in its red book and Canadians accepted it democratically by the national election that one of the building blocks of immigration policy is the family class.

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There are two reasons. First, we believe Canadians do have a right toward family reunification. Second, the family is also the vehicle to more successfully integrate and settle the newcomer without burdening the state.

The hon. member's party quite often talks about family values. If the hon. member wants to cut the immigration levels he cannot have it both ways. He cannot talk on family values on the one hand and then berate family class immigration on the other.

(1440)

Mr. Herb Grubel (Capilano—Howe Sound): Mr. Speaker, may the people of Canada conclude from the minister's answer, or non-answer, that decisions about Canada's immigration levels are made without regard to the costs which the policies impose on the already strained social programs of the country?

Hon. Sergio Marchi (Minister of Citizenship and Immigration): Mr. Speaker, we said no such thing. In fact in our levels announcement some days ago we said it was very important not only to do levels in isolation but to do levels and have a correlated two-year settlement and integration in dollars. That was a very important distinction the former government did not pay too much attention to.

We are worried about the financial implications to our health system. However we are not prepared to conclude that family class members who are landed should not have access to medical services when independent skills applicants do. Is that what the member is advocating? When people come here and are landed residents we assume they contribute and through their contribution they have a contract with Canada. It is a two-way street.

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[Translation]

INTERPARLIAMENTARY EXCHANGES

Mr. René Canuel (Matapédia—Matane): Mr. Speaker, my question is for the Minister of Foreign Affairs. We learned in *La Presse* that federal Liberal members forced 15 members of the European Parliament to cancel a series of meetings with Quebec organizations and replace these visits with an official trip to Ottawa and Vancouver, as part of the business of the Canada-Europe Parliamentary Association.

The Speaker: Perhaps the hon. member could rephrase his question, because it does not concern the government's administrative responsibility in that it relates to a non-governmental organization.

Mr. Canuel: My question is this: How does the minister explain that his ambassador in Brussels was also involved in convincing these European parliamentarians to act against their will?

Hon. André Ouellet (Minister of Foreign Affairs): Mr. Speaker, I think that you were right to remind the hon. member that this kind of meeting of parliamentarians is organized by non-governmental organizations. From time to time, parliamentarians come to Canada under these exchange programs.

As part of the visit which took place, it was planned that they would come to Ottawa and go to British Columbia to study the forestry issue which is now the subject of consultations at the highest level.

So the parliamentarians who came here knew very well why they were coming and what their agenda would be. One of these parliamentarians, who probably has dealings with Quebec separatists, made a side trip to Montreal and denigrated this well-established parliamentary procedure of parliamentary exchanges which had been approved in advance. All the others were satisfied, except this black sheep who strayed in Montreal.

Mr. René Canuel (Matapédia—Matane): Mr. Speaker, several people, parliamentarians from over there, told us the same thing. Did other parliamentarians question the minister when they came to see him?

(1445)

Hon. André Ouellet (Minister of Foreign Affairs): Mr. Speaker, no doubt there will be other exchanges between the European Parliament and the Parliament of Canada. No doubt these European parliamentarians are quite welcome in all the provinces of Canada, including Quebec.

Those who came here met the Prime Minister and discussed Canadian issues and questions of interest for the European Parliament.

Those who came here also had the opportunity to meet the Deputy Prime Minister, who invited them to accompany her since she was going to the province of Quebec herself. So those who wanted to take advantage of that offer could have done so.

I repeat that only one parliamentarian found that procedure unacceptable. He should have stayed home, since he knew in advance that the trip would take them here, to Ottawa, and to Vancouver, and he should join us for another visit that will include a trip to the province of Quebec.

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[English]

FORESTRY

Mr. John Duncan (North Island—Powell River): Mr. Speaker, my question is for the Minister of Natural Resources.

The Canadian government recently funded a multimillion dollar model forest in Mexico. Can the minister assure the House that at the upcoming month-end bilateral conference in

Mexico City the government will not commit further forest research or other forestry funding to our new NAFTA partner?

Hon. Anne McLellan (Minister of Natural Resources): Mr. Speaker, I thank the hon. member for his question.

The hon. member may be aware that Canada has pioneered the concept of model forests. It is part of our commitment to manage forestry and sustainable development. We think we are very lucky that we have been able to enter into partnerships and transfer this important technology and skill to partners, be it Mexico or the former Soviet Union. I am going to be encouraging my department, the Department of Natural Resources, to enter into further partnerships to ensure that globally we continue our strong commitment to sustainable development in our forest sector.

Mr. John Duncan (North Island—Powell River): I have a supplementary question, Mr. Speaker. Mexico is running a budget surplus while we are struggling with a large deficit. Does the minister agree that this government should not be funding forestry projects outside Canada?

Hon. Anne McLellan (Minister of Natural Resources): Mr. Speaker, I believe as a government we should work in partnership with neighbours around the world to ensure that our commitment to sustainable development is fulfilled wherever possible.

* * *

JUSTICE

Ms. Shaughnessy Cohen (Windsor—St. Clair): Mr. Speaker, my question is for the Minister of Justice.

Over the past few months Canadians have seen several examples of judicial gag orders. These orders have either excluded the media and members of the public entirely from criminal trials or have allowed them to observe but not to report on the proceedings.

Could the minister advise us of any steps which he has planned to review this situation in order to preserve the very important public right to know what is going on in the criminal justice system?

Hon. Allan Rock (Minister of Justice and Attorney General of Canada): Mr. Speaker, the Criminal Code provides and the general rule in law is that proceedings in court are held in open and the public may watch and see what is going on. The code also provides, and indeed the inherent jurisdiction of the court provides as well, that when the interests of a fair trial for the accused require it, there can be a ban on publication.

As my hon. friend knows from her own many years of distinguished service as counsel in the courts, sometimes these media bans on publication for specific periods of time are very important in the interests of justice, for example in a prelimi-

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nary inquiry where the evidence is not published, so that the trial itself is not prejudiced or where there is some quarrel about the admissibility of evidence. The court does not want it published so the jury will find out about it before the admissibility of evidence is determined. Obviously there is a balance. The Supreme Court of Canada has two cases under advisement now in which it is considering the balance between the freedom of expression in the charter and media bans. We are going to await those decisions and read them with care. I can assure the hon. member that we will do all things necessary to ensure that the criminal law is administered fairly in this country.

* * *

(1450)

[Translation]

NATIONAL ARTS CENTRE

Mrs. Suzanne Tremblay (Rimouski—Témiscouata): Mr. Speaker, my question is for the Minister of Canadian Heritage.

The government does not seem to be troubled at all about giving \$350,000 to the National Arts Centre's director general, after he was fired following a putsch organized by the Mayor of Ottawa. The Minister of Canadian Heritage is washing his hands of the whole affair by invoking the management autonomy of the federal agency.

Does the minister recognize that it is up to the government to determine the working conditions of crown corporation directors, including severance pay, and that in this instance it is the inordinate amount of this severance pay that we find outrageous, just a few hours before a general tax increase for all Canadians?

Hon. Michel Dupuy (Minister of Canadian Heritage): Mr. Speaker, I can assure the hon. member that the Minister of Canadian Heritage never washes his hands of anything. It does not mean that his hands are dirty.

There is a point that should be made, because not everyone knows it. The National Arts Centre is the only institution of its kind whose director is elected by the board of directors rather than appointed by the government. This situation is unique and can explain many things.

The government and this institution have an arm's-length relationship that I think the hon. member does not challenge and that the government respects. However, the minister has some authority; he has the power to appoint people to the board of directors, to audit its finances and to amend the law if this is deemed necessary. And the problem that was alluded to will, of course, be considered within the measures that the government can take regarding the NAC.

Mrs. Suzanne Tremblay (Rimouski—Témiscouata): Besides the \$350,000 severance pay, Mr. Speaker, can the minister tell us whether it is true that the person responsible for the placement agency in the Prime Minister's Office, Mrs.

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Collenette, is desperately looking for a new job in the federal public service for Mr. DesRochers?

Hon. Michel Dupuy (Minister of Canadian Heritage): Mr. Speaker, there are procedures that we follow with respect to agency heads. Whenever there is a vacancy, we make an announcement in the *Canada Gazette*. We receive names and these names are then taken into consideration.

As we speak, there is in fact a vacancy in a cultural agency of the Canadian government, an announced vacancy that is not yet effective but will become so a little later in the year; at that time, when the position becomes vacant, appropriate procedures will be followed.

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[English]

REFORM PARTY

Mr. Bob Ringma (Nanaimo—Cowichan): Mr. Speaker, my question is for the Minister of Indian Affairs and Northern Development.

Earlier in question period my colleague, the hon. member for Crowfoot, asked the minister a direct question about what the minister did or did not say concerning the Reform Party. The minister skated around the answer and did not come out with a direct, clear answer.

Will the minister now please answer the question? Did you not say what was alleged?

(1455)

The Speaker: Questions should always be posed to the Speaker. If the hon. member could simply rephrase the question, it would be appreciated.

Mr. Ringma: Mr. Speaker, would the minister answer the question now?

Hon. Ron Irwin (Minister of Indian Affairs and Northern Development): Mr. Speaker, I do have some concerns about the positions of the Reform Party. I have sat in the House watching them attack immigrants. I have sat in the House and watched one of their members put out a brochure in which he quotes with favour—

The Speaker: Order. I would ask the hon. minister if in answering the question perhaps he also could stay with a little more general tone. If he could I would appreciate it.

Mr. Irwin: I am sure, Mr. Speaker, that the Reform Party does not hate Indians. I do not think anybody in this House hates Indians. But I would like the Reform Party to be a little bit more generous in looking at the aspirations of one of the poorest, most deserving groups of Canadians that we have in our country.

If we cannot together solve the problems of 1.5 million of our citizens, then this nation has no hope.

[Translation]

LOBBYISTS

Mr. Yves Rocheleau (Trois-Rivières): Mr. Speaker, my question is for the Minister of Industry.

In the speech from the throne, the federal government promised to regulate the activities and practices of lobbyists. However, according to a recent CBC report, lobbyists are putting enormous pressure on the government to involve them in the new regulatory process, thereby safeguarding their interests.

Can the government confirm that it intends to table in the coming weeks a bill on the regulating of lobbyists and can it reassure the House that it is not being unduly influenced in the drafting of the new regulations?

Hon. John Manley (Minister of Industry): Mr. Speaker, I can assure the hon. member that we will soon be tabling draft legislation respecting lobbyists and I hope that we can count on his support so as to give some weight to the process of regulating lobbying activities.

* * *

[English]

ATOMIC ENERGY CONTROL BOARD

Mr. Lee Morrison (Swift Current—Maple Creek—Assiniboia): Mr. Speaker, my question is directed to the Minister of Natural Resources.

In spite of the fact that there has been a constant reduction in the number of licences to hold and handle radioactive material in the country, the staff of the compliance division of AECB has continued to grow.

It is now rumoured that there are plans to open regional compliance offices in Vancouver and Halifax in spite of the fact that there are only 370 licensees in B.C. and less than that in the maritimes.

Can the minister confirm or deny these offices are being planned and, if they are, can she justify it?

Hon. Anne McLellan (Minister of Natural Resources): Mr. Speaker, I can assure the hon. member that this government has no plans to open offices in Vancouver and Halifax.

* * *

[Translation]

SOCIAL HOUSING

Mr. Michel Daviault (Ahuntsic): Mr. Speaker, my question is for the Minister of Public Works.

On this, the 25th anniversary of the Office municipal d'habitation de Montréal, Mr. John Gardiner, the housing co-ordinator on Montreal's executive committee, has once again condemned the federal government's withdrawal from the social housing field. It should be noted that more than 10,000 families

or households in Montreal are currently on waiting lists for social housing.

My question is for the Minister of Public Works, who is responsible for Canada Mortgage and Housing Corporation.

Since Mr. Gardiner has once again denounced the federal government's withdrawal from this area, are we to understand that his recent meeting with the minister was unproductive?

(1500)

[English]

Hon. David Dingwall (Minister of Public Works and Government Services and Minister for the Atlantic Canada Opportunities Agency): Mr. Speaker, I want to thank the hon. member for the question. He is going to have to be patient and wait for the remarks of the Minister of Finance who will be delivering his budget at five o'clock. Thereafter the hon. member, as well as other stakeholders, will have an opportunity to review the decision of the Minister of Finance.

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EAST COAST PORTS

Mr. Cliff Breitzkreuz (Yellowhead): Mr. Speaker, my question is for the Minister of Transport and was inspired by Mr. Creelman MacArthur of Halifax.

While the ports of Halifax and Saint John are ice free year round, the federal government spends millions of dollars annually to ice break the St. Lawrence. This creates a situation of the government indirectly subsidizing inland ports at the expense of those on the east coast.

At a time when the east coast economy is the hardest hit in Canada, why should Halifax and Saint John have to compete not only with inland ports but with the federal subsidies as well?

Hon. Douglas Young (Minister of Transport): Mr. Speaker, obviously I am somewhat aware of the activities at the ports of Halifax and Saint John. It has been a need for Canada to be able to ship and receive goods from its major ports on the east coast for the last 40 or 50 years.

I find it rather unusual that anyone would question the activities of the port of Montreal, as essential as that port is to the economy of Canada as a whole. Therefore we fully intend to continue to provide services from the port of Montreal as we hope we will be able to do with enhanced activity at the ports of Saint John and Halifax.

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BOOK PUBLISHING

Mr. Simon de Jong (Regina—Qu'Appelle): Mr. Speaker, my question is directed to the Minister of Canadian Heritage.

Oral Questions

Last Friday the minister announced approval of the sale of Maxwell Macmillan and Ginn Publishing to Paramount Communications. This sale reverses a long established policy and, in the case of Ginn Publishing, is the first time in 25 years that a Canadian owned book publishing firm has been allowed to fall into foreign hands.

The Investment Canada Act requires that Canadians have a full and fair opportunity to bid for a foreign owned Canadian book publishing company yet Canadian publishers have informed me that CDIC thwarted all attempts by them to bid on these companies.

Could the minister explain to the House why the government did not follow its own legislation and did not actively seek Canadian investors? Also, could the minister kindly explain what the difference is between his—

The Speaker: Order. I think two questions in a question are okay, but when we get into three or four we have to draw the line. Would the Minister of Industry care to answer the question?

Hon. John Manley (Minister of Industry): Mr. Speaker, on behalf of the minister responsible for CDIC, let me indicate to the member that the government shares his concern.

However, the obligation that CDIC had to sell 51 per cent of its interest in Ginn was one which had been made previously. Although a number of discussions have been held with potential Canadian purchasers, none of those discussions developed into a substantial indication of interest to the extent that an offer was made that was acceptable to CDIC.

In the circumstances, the decision was taken to realize on CDIC's investment in Ginn in accordance with the previously made commitment by the previous government.

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PRIVILEGE

COMMENTS DURING QUESTION PERIOD

Mr. Herb Grubel (Capilano—Howe Sound): Mr. Speaker, I rise on a question of privilege concerning some comments made during question period.

I feel my personal integrity and credibility have been attacked. During my question I said that I was an immigrant and that now I was a Canadian citizen. The member for Carleton—Gloucester shouted: "Now you want to lock the gate".

This was neither the point of my question nor do I recommend—

(1505)

The Speaker: The hon. member may have a grievance that he could put forward. I wonder if the hon. member would agree to let me have a look at the "blues" and I will see just what was said in the exchange. I will have a look at it at that time.

*Government Orders***GOVERNMENT ORDERS***[English]***EXCISE ACT**

The House resumed consideration of the motion that Bill C-11, an act to amend the Excise Act, the Customs Act and the Tobacco Sales to Young Persons Act, be read the second time and referred to a committee.

Ms. Val Meredith (Surrey—White Rock—South Langley): Mr. Speaker, I will try to refresh everybody's memory as to what happened prior to question period.

I am afraid that what the government has done in this instance is to send a loud message that if enough people are ignoring the law, do not worry it will be changed. What the government should have done is enforce the laws that were there. If a law has the support of Canadians it must be enforced and there was support in the community for high taxes on cigarettes.

Calls to my office were six to one against lowering the tax on cigarettes and if someone can get my constituents to oppose the lowering of any tax then he or she has accomplished something. They do not like taxes. They want taxes lowered but they want them lowered in a sane and reasonable manner across the board. The government should have concentrated on enforcement, not on isolating tax cuts on contraband cigarettes.

Unfortunately some Canadians need the occasional reminder that there are laws that have to be enforced. There are laws against speeding despite the fact that most of us speed every now and then. The mere sight of a police car on the side of the road is enough to slow most drivers back to the speed limit. If the government had been in charge of the provincial motor vehicles act it would not have called for increased enforcement. It would have raised the speed limit and then boasted about how it got rid of the country's speeding problems.

In conclusion, the Customs Act and Excise Act both provide for significant penalties for those breaking the law. The government should have given its law enforcement officers some manpower and resources to have carried out its mandate. The initiatives implemented by ways and means motion No. 3 were short-sighted and in the long term this decision will be regretted.

It is unfortunate the government did not have the courage to stand up and address the issue head on. I hope when the alcohol smuggling issue comes before the government it is prepared to stand firm and resist repeating the same mistake.

My constituency runs along the Canada-U.S. border. My riding has two of the busiest border crossings in Canada, the Pacific crossing being one of them. I know there is smuggling of

all sorts and I know that cigarette smuggling is not the main concern at the Pacific and Douglas crossing.

Enforcement of Canada's laws is the only way to deal with this issue, not giving in to the lawbreakers.

(1510)

Mr. Paul Szabo (Mississauga South): Mr. Speaker, I rise to comment on an issue that has been coming hour by hour from the Reform Party throughout this debate and it has to be stopped.

The argument being made is that the reduction of the excise tax on tobacco is a singular event and has no consequence on anything else the government did. The whole point of the initiatives brought in by the Prime Minister, the Minister of National Revenue and Minister of Health was to break the back of smuggling.

To break the back of smuggling they had to eliminate the profit motive. The combination of the reduction of excise tax, the export tax that was levied and the surtax on manufacturing collectively represent the elimination of the profit in smuggling.

If we eliminate the excise tax and apply the tax totally to export taxes, if we allow export taxes and that surtax to deal with it totally, all we are doing is shifting the burden from exports to the U.S coming back into Canada and forcing the creation of underground manufacturing facilities in Canada.

Members really have to open up their minds to understand that there is a comprehensive approach to one of the most serious problems that the government has had to face in its first three or four months of operation.

Ms. Meredith: Mr. Speaker, I have a feeling the hon. member forgot the first part of my speech which was over an hour ago.

My concern is not that the government has just reduced taxes. My concern is that it did not enforce the laws that were there. If it had enforced the laws we would not have this problem.

Mr. Speller: We weren't here.

Ms. Meredith: The member was here for at least 100-plus days.

My concern is that this is only dealing with cigarette taxes and that the government is not stopping smuggling. It is going to have smuggling of alcohol. It is going to have smuggling of alien persons. It is going to have smuggling of heroine and hard drugs. We have it now.

If the government is not going to enforce the laws, it will continue to have smuggling of these contraband items. Lowering the taxes of one item is not going to stop smuggling.

Mr. Jim Silye (Calgary Centre): Mr. Speaker, I commend my colleague on her speech and her point of view. It was very well presented.

Government Orders

However she said something in the first part of her speech, which was over an hour ago, about this bill doing very little to reduce smuggling.

Does she believe that by taking the profit out of smuggling it will increase or decrease the activity?

Ms. Meredith: Mr. Speaker, I do not want to give the same lecture to my hon. friend and seatmate but it will reduce perhaps the incentive to smuggle cigarettes.

It will not reduce the incentive to smuggle hard drugs, alcohol or illegal aliens. The problem of enforcement cannot be solved by reducing the incentive to do it. One has to enforce the laws of the land the same for all people. It is only through enforcement that smuggling will be stopped.

Mr. Julian Reed (Halton—Peel): Mr. Speaker, I would like to ask the hon. member how she expects by zeroing in on enforcement alone she can enforce the laws on the world's longest undefended border and the world's longest sea coast.

Ms. Meredith: Mr. Speaker, I mentioned at one time that my constituency goes along the United States—Canadian border. I have two of the busiest border crossings in my constituency and this has not been identified as a major problem.

Yes, there is cigarette smuggling. I do not deny that, but it has certainly not been a problem to the extent that it has been in Ontario and Quebec. I do not think that problems are solved by isolating a solution for one area and putting it over the whole country. If there is a problem in one area of the country, solve it if it is isolated to that area. Do not assume that this problem is all across the country.

(1515)

I know at my border crossings cigarette smuggling is certainly not at the limit it is in Quebec.

Mr. Murray Calder (Wellington—Grey—Dufferin—Simcoe): Mr. Speaker, I listened with great interest to the hon. member's speech and one thing I picked out of it was the fact that she was pointing out everything we have done wrong. I have yet to hear an alternative from the hon. member as to how she would solve the problem.

We have watched contraband cigarettes grow from the late 1980s into the early to mid-1990s, a 60 per cent growth in less than one year; 75 per cent contraband in Quebec, 35 per cent to 40 per cent in Ontario, 15 per cent in the western provinces and growing. I stress the word growing. In on one box of cartons there is a \$500 profit. In a truckload there is a \$500,000 profit. We are creating a millionaire a day. All this money is seed money for what the hon. member is talking about which is the smuggling of alcohol, arms and drugs.

What we have done is stop that seed money. I would ask the member regarding everything we have done wrong, how she would do it right.

Ms. Meredith: Mr. Speaker, actually the hon. member has also forgotten the first part of my speech in which I did acknowledge that there are some things in this legislation that are positive. One is giving the same ability to peace officers as the RCMP in dealing with the problem.

However that is where to deal with it, in giving manpower and support to the enforcement of Canadian laws, not giving in to criminals and reducing the laws. To give in to criminals and allow them to change Canadian law because of criminal activity is sending the wrong message. Give more enforcement, more support to the law enforcement people in the country.

Mr. Andrew Telegdi (Waterloo): Mr. Speaker, I wonder if the hon. member is suggesting that we not follow the advice of the commissioner of the Royal Canadian Mounted Police who, as a professional law enforcement officer, the top one in the country, said that if we are going to get a handle on the problem then we have to narrow the gap between the price of cigarettes in Canada and in the United States.

I wonder if the member does not recognize that our policies in the past have been an incubator for organized crime and we were actually growing the underground economy.

Given the position of the hon. member's leader when he would say that there was a tax revolt brewing in the country, do the members of the Reform Party not recognize a tax revolt when it bites them in the derrière?

Ms. Meredith: Mr. Speaker, I guess my concern is that this reaction of lowering taxes on one contraband item is not going to solve the problem. I recognize that perhaps for the RCMP this was an easy way to deal with an issue. However, are they also going to suggest the same thing when we talk about the smuggling rings taking on hard drugs or alcohol?

Are we also going to suggest that we should lower the taxes on alcohol and that we should legalize heroin and hard drugs just because it then makes the job easier?

I do not think that is the issue here. The issue is we have Canadian laws for a reason and we should not be giving in to criminal activity and changing our laws just to make it easier for them to change products.

Ms. Susan Whelan (Parliamentary Secretary to Minister of National Revenue): Mr. Speaker, I just wonder if the hon. member has had the opportunity to read the entire action plan which dealt with the very issue of enforcement. We have increased customs officers by 25 per cent to deal with the idea and with the problems of enforcement.

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I also inform the hon. member that the problem is not unique to one part of Canada.

(1520)

The busiest border crossing last year was the Windsor–Detroit bridge which is just outside my riding. This problem is not unique to Quebec. It is not unique to one particular part. It is happening all across the country. We have a total plan to deal with it, a plan that deals with enforcement, a plan that deals with health. I hope the hon. member has a chance to read clause 3 of the bill particularly.

Ms. Meredith: Mr. Speaker, I do not think I ever said that the problem was unique to one part of Canada. I said that the other parts of Canada have a similar problem but not to the same extent.

There is smuggling in western Canada along our borders but not to the same extent and it can be handled by law enforcement. I am glad the border crossing staff is going to be increased. I think the concentration of the policy should be on law enforcement and not in relaxing the Canadian laws.

I repeat, we do not solve problems by giving in to the criminal element. If we do it once we are going to end up doing it over and over again.

There is a reason for laws and there is a reason to enforce laws. When we start giving in to the criminal element and changing the laws of the land we are in real trouble.

Mr. Jesse Flis (Parliamentary Secretary to Minister of Foreign Affairs): Mr. Speaker, in her back–pedalling the hon. member is really missing the boat. Let me quote for her from the letter that was tabled by the Prime Minister from the commissioner of the RCMP in which he very clearly stated:

Normally an enforcement only enhancement would work but, in this case, the smuggling problem has become so pervasive that the number of additional resources required to resolve the problem would be so intrusive as to be unacceptable—

I do not have time to finish reading it, but I refer the member to the letter from the commissioner that was tabled in the House. We are attacking this. We are attacking on all fronts as recommended by the RCMP and all the advice we have been given.

The Deputy Speaker: Order, please. The question is clear. The hon. member for Surrey—White Rock—South Langley, please be brief.

Ms. Meredith: Mr. Speaker, I cannot say it any more than I have said it before. We have laws in our land. There are reasons for our laws. I do not think we solve anything by changing our laws to give in to criminal activity.

Mr. Bob Speller (Haldimand—Norfolk): Mr. Speaker, I want to say to the previous speaker from the Reform Party that we do not solve any problems either by sticking our head in the

sand. We had a tough decision to make. That decision was made on the basis of all the best information we had from the RCMP, from Revenue Canada, from the different provinces, from the different agencies involved. We had a tough decision to make and we made it. Unfortunately other provinces in the country have not seen fit to do it. I would suspect that in the very near future we will see a lot more come on board after recognizing the problem.

I do want to stand in support of the piece of legislation in the House today. Mr. Speaker, you know from our previous time here together that I spent a lot of time in the House talking directly about this issue. I have studied it substantially because of the make–up of my riding.

Haldimand—Norfolk has a number of tobacco farmers, probably over 800 tobacco farmers out of the 1,200 left in Canada. I also have the largest Indian reserve in the country, the Six Nations which includes a number of places that sell tobacco, over 200. It is a problem for me on both sides.

The fact of the matter is that when tobacco is smuggled my tobacco farmer constituents do not make the same amount of money because on that product they get less money for it being exported to the States. They actually get a dollar less a pound. It is a two–price system and so that product that actually is being smoked in Canada has actually been exported.

I also have on the Six Nations reserve a large number of people. I want to say to all members who might not have had an opportunity to visit reserves in the country that the overwhelming majority of people, at least on the largest reserve in the country, want to get rid of the smuggling problem.

I get more people on reserve than off in my constituency saying that we have to deal with that problem. It was very important for me to get that message out. I get a sense in the House from the other side that somehow this is just an Indian problem. It is in a sense, but it is a sense that they want to solve this problem.

(1525)

That is why I was happy to see the Solicitor General take our advice on this side, sit down with native communities and try to work out solutions to this problem.

There was a time in this House when members across the way were essentially saying we have to enforce the law everywhere in the country. Let us go in shooting and we can solve this problem.

I do not think that is the solution. It is a larger problem than just enforcement. Enforcement is very important and that is why in this bill we have gone a long way to deal with the enforcement issue.

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I have talked about taxation in the House as being really the only way to dramatically solve the problem, but there are other ways in which we can add to the solution. I want to go through some of the things that we have done.

We have increased customs examinations of high risk travellers. I think that is going to get a lot more smuggling than just tobacco smuggling. I think it might even help us solve our problem with the smuggling of guns and cocaine or other drugs that come into the country. We have a large border. I would suggest that over the years this problem has been a lot bigger than even we in the House talk about.

The whole question of alcohol being smuggled is only a small problem. We have guns. We have different products that are coming across our borders that need to be addressed. I think this goes a long way in helping to address those problems.

We are providing 24 hour commercial traffic clearance at 22 ports that handle 99 per cent of the commercial traffic. We are examining the service charges for off hour service at these locations. We are extending hours of service at a number of existing ports. We are conducting border blitzes that target high risk travellers and carriers.

I believe that in the bill we have gone beyond the taxation question. We have put in very needed border restrictions to make sure that we in the country control what comes into the country and we know specifically what is coming in.

The real problem we have in the country today is not as much with the smuggling but it is an acceptance by Canadians that somehow not paying their fair share of taxes, ripping off the government, is a good thing to do. Unfortunately when it starts in cigarettes it continues. Canadians have to be told that it is not only governments but their responsibility also to follow the law and make sure that they contribute to the solution to this problem.

I have never argued with the reason Canadians have been buying smuggled cigarettes. If they can get cigarettes at a cheaper price and feel that the government is not listening in terms of the taxation questions, they are going to do it. It is a question of taxation. We have to get it out of people's minds that somehow it is easy and it is natural to rip off the government by not paying taxes.

We have a \$45 billion deficit. We have to attack that deficit if we are to go into the next century and compete. In order to do that people have to feel that the taxation system under which they live is a fair system.

Canadians have not felt that excise taxes on cigarettes, gasoline and alcohol have been fair taxes. As a result they have been more than willing to go around the law and do this. I think this tells Canadians that we understand these systems have been

unfair and we are ready and willing to work with them to come up with real solutions.

Regarding the smuggling in the country, the only way to deal with it was to bring down the taxes. There was no other answer. In terms of the export tax on it, I have never supported an export tax. Quite frankly it is not workable. The export tax in this regard, because the provinces have come on board and because the taxes have been slashed enough, will be irrelevant. We will not be exporting that cigarette product to the United States.

Also in the bill there are exemptions for traditional exports. Those real exports that go elsewhere outside the States or the traditional ones that go to the States and are sold for consumption in the States will be protected. Tobacco farmers in my area were very pleased with that idea.

(1530)

In order to solve this problem we needed to do two things. We needed to take a tough stand and we needed to bring down the taxes.

There are those who argue that somehow lowering taxes and lowering prices will let young people buy more cigarettes. I have heard many young people on television say: "Oh, good. Now I am going to have easier access to cigarettes". However that is not the case. Right now they can get cigarettes as quickly as they can buy a pizza in downtown Toronto. Cigarettes are easily obtained in school yards.

However if we put in the enforcement making sure the penalties are high for selling cigarettes to young Canadians and setting the age at a certain point, young Canadians will be protected. They will not have that access. That easy access now is through smuggled cigarettes and they get them in the school yard.

We have a good balance here. It is the balance of protecting young people from smoking, the balance of dropping the taxes so Canadians feel their taxation system is fair. At the same time there is the balance in enforcement, making sure that those who would illegally profit from this are caught. This approach will go a long way toward solving this problem.

At the same time we have taken the opportunity to sit down with Canada's first people to discuss this question with them, rather than just going in hocus-pocus with guns blazing. We are trying to work with Canadians and our aboriginal peoples to find solutions to their problems.

At the same time we are throwing a lot of people, who have been selling cigarettes granted illegally, out of work. It might be incumbent upon the government to recognize that fact. Where will they go if they are not selling cigarettes illegally? Most of these people are not the normal law breakers. Most of them are people who just want to make a buck. They did not have a job and were looking for an opportunity to make some quick cash.

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This question must be raised. Not a lot of people are talking about it as it is not something that really pops up in people's minds. It is the question of making sure there is economic development on our reserves so that those people who might turn to crime because they do not have any other economic activities would have some other alternative.

Mr. Chris Axworthy (Saskatoon—Clark's Crossing): Mr. Speaker, cigarettes are the only product that when used as directed kill.

Is the member in favour of cigarettes being included under the hazardous products act?

Mr. Speller: Mr. Speaker, the hon. member knows that question came up before. In fact I think our hon. Speaker was on a committee that actually looked at that question.

Mr. Young: You cannot make them safe under the Hazardous Products Act.

Mr. Speller: No, of course not. I think it was something an NDP member raised in that committee. It is just impossible to do.

If the government wants to outlaw smoking, fine. Compensate my tobacco farmers for the value of their farms and for the value of their future livelihoods and do it.

Governments are quite hypocritical in this area. On the one hand they want all that big cash and on the other they say to my tobacco farmers that they are doing a nasty and dirty thing. That is not the case. All governments have to get off the pot on this question and make a decision. If they want to outlaw smoking then compensate my farmers. Allow my farmers to get on with their livelihoods rather than slowly strangle them to death.

(1535)

Mr. Don Boudria (Glengarry—Prescott—Russell): Mr. Speaker, I start by congratulating the Solicitor General and the Minister of Health for addressing what was obviously a life and death issue in the constituency I have the honour and privilege to represent in the House. I do not believe I am exaggerating the point when I describe it that way. Over recent years literally dozens of constituents of Glengarry—Prescott—Russell have been murdered or have disappeared as a result of tobacco smuggling and associated crime.

When we talk about the ill effects of tobacco on young people I wonder how many of us have stopped to think of how many times a teenager working in a cornerstore has had his brains blown out so that someone else could steal the cigarettes from the shelves of that store to resell on the contraband market. That is not just in my riding. Unfortunately it has happened several times in this country.

I want to describe the extent of this problem. It was highlighted by another member earlier today. The commissioner of the RCMP said in a letter tabled before the House: "This implies a need to reduce the tax on cigarettes significantly enough to approach parity, thereby eliminating the profit motive for smugglers". In saying that he was telling us the time had arrived whereby we no longer had the choice and this is what we had to do.

It was not always that way. I remember when smuggling was about one-tenth the amount it is now or that it was when these measures were introduced. I remember on November 22, 1991 rising in the House and addressing a question to the previous government.

[Translation]

This is what the then Solicitor General, Hon. Doug Lewis, replied on the subject of smuggling: "Obviously it still exists a certain extent. We are doing everything we can to eliminate it".

[English]

That is what was said at that time. In other words, do not bother us. It is not very important. It is no big deal.

The last day Parliament sat before the election again I asked a question. I had asked questions many times. I asked the following and members might think the question was a little dramatic or at least members thought so at the time. In retrospect it certainly was not.

[Translation]

On that occasion, I said the following:

"Almost every night machine gun fire is heard and speedboats are running the rivers at full speed in the dark with their lights turned off pursuing criminal activity. I am not describing life in Sarajevo or Mogadishu. I am describing the practice of tobacco smuggling on the St. Lawrence River near Glengarry in my riding."

I made that statement in the House on June 13, 1993. And I went on to say:

"I want to ask a question of the Solicitor General on the last day of this Parliament. What precisely does the government intend to do to stop this illegal activity which endangers the lives and safety on my constituents? What is he going to do to ensure that we stop losing billions of taxpayers' dollars in this terrible process that is going on right now 50 miles from Parliament Hill?"

[English]

Nothing was done. Yes, there was a time when we could have done other things, federal and provincial governments, and in Ontario Mr. Rae could have done something.

For two years the Ontario Provincial Police detachment at Lancaster, a stone's throw from Lake St. Francis, was closed at night. Only after I raised it publicly was the police station reopened last November. Imagine that. The police station in the area where all the criminal activity is taking place shuts down at night, courtesy of Bob Rae's cutbacks. That is what happened. He self-righteously said before the media last week and the week before he did not know this was a problem in Ontario and that it was a regional problem in Quebec, as he or Mr. Laughren

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put it. Those statements were a little less than totally honest. He knew of the problem.

(1540)

My colleagues from western Canada will know of the report on tobacco smuggling by the Mackenzie Institute. All of them have received copies of the report. It explains to what extent this criminal activity has gone on. If members have not received it I will gladly provide them with copies.

Everything we hear today and have heard for the last weeks in this House the Mackenzie Institute has been telling us for months. However members were not listening. This government has listened. For three years I and others tried to get the previous government to act for the safety and security of Canadians and for the respect of the law and nothing was done. Within three months the new government did something and I am proud of it.

Some people claim tobacco smuggling is a victimless crime. I want to read what Claude McIntosh, the associate editor of the *Standard Freeholder* of Cornwall, wrote on July 3, 1993. He was citing examples of victims of smuggling. He wrote the following:

A Cornwall welfare recipient switched to a supplier selling cartons \$1 cheaper than his previous supplier. His old supplier, fearful of losing other "accounts", paid him a visit. During the conversation he had his arm broken in an "accident". He went back to the previous supplier. Welfare recipients are soft because they are: 1) more willing to take the chance, and 2) available night and day.

Listen to this one about young people. A teacher ordered a disruptive student out of the classroom. On his way out the student reached into his pocket, pulled out a wad of bills and sneered: "I don't need your education". The student works as a runner in one of the cigarette smuggling cartels with the potential to earn more in six months than the teacher does in a year.

That is the reality of smuggling. For those who wish to put their heads in the sand and think that is not a reality, well they are wrong.

What kind of message does it give to our young people when the one who is smuggling cigarettes and selling them in schools drives around in a corvette while the rest of the students walk home at night? We are concerned about young people.

[*Translation*]

The social contract has crumbled. When 60 to 70 per cent of cigarettes are sold illegally, as it is the case in Quebec—35 per cent in Ontario, very close to 100 per cent in my riding and as much as 25 to 30 per cent in Western Canada—I tell you that the social contract has crumbled in that respect and that we have

returned to the so-called hobbesian state of nature: Every man for himself.

[*English*]

Life is brutish and short, as Thomas Hobbes put it. That is not the kind of society we want. We have to restore that social contract. The way of doing that was to take every action necessary, all governments together in concert. The federal government and the Government of Quebec did it. The Government of Ontario was dragged in kicking and screaming in order to do that which it should have done in the beginning. Nevertheless it has done so now.

There is another article from the *Standard Freeholder*. It was written by Claudia Peel on February 16, 1994 and is entitled: "Smuggling is down to a trickle":

The volume of black market cigarettes moving through this region has dropped significantly since the federal government's crackdown on smuggling began one week ago today.

OPP Det. Insp. Chris Lewis said police have seized some smuggled smokes since the federal anti-smoking plan went into effect last Wednesday. But the volume of contraband seized in the past week has been "quite a bit less" than police have been accustomed to seizing in a seven-day period.

(1545)

[*Translation*]

As you can see, Mr. Speaker, action was required. I do not even have time to get into the whole issue of contraband, which thrives on illegality and leads to smuggling not only cigarettes but also drugs, alcohol and the likes.

Whether we come from western Canada, Ontario or elsewhere, whether we are separatists, sovereigntists or federalists, I think that we all have the same interests. In our society, we want laws to be obeyed. What was done had to be done. And to conclude, I congratulate the government, because that action was necessary and was taken. I hope that we will soon be able to say that we have managed to eliminate this evil that is preying upon our society.

Mr. Ghislain Lebel (Chambly): Mr. Speaker, I do not know if the previous speaker managed to convince himself after the fact, as his government is now trying to do, but he would like to convince us that the decision that was made was the right one.

I think that the government lowered taxes on cigarettes because it did not want to tackle the real problem and stop the distribution of contraband goods on the territory implicitly affected by this bill; instead of dealing with the smugglers themselves, they went after the product. Except that it will be easy to replace that product with another, like alcohol, drugs or cocaine. To justify themselves, they said that they asked the commissioner of the RCMP, who told them to cut taxes. It is not

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up to the commissioner of the RCMP to make the laws in this government, and you also need the political will to enforce the laws. When there is no will to enforce the laws, we end up with a bill like this one.

The government shot into its own net with this. There can be no solution to this problem as long as there is no political will to intervene and break up the distribution networks for cigarettes, drugs, popcorn or whatever. We must break up the distribution networks. That is what the government did not have the courage to do.

I would now ask the hon. member who just spoke if he has a personal solution to suggest to his government to break up the distribution networks. That is where the problem lies.

Mr. Boudria: Mr. Speaker, I noticed that some hon. members were applauding, but not the hon. member for Argenteuil—Papineau, who, I think, shares some of my feelings regarding the effects of smuggling. He can see these effects from up close in his constituency. Besides, the hon. member who just asked me a question also faces a similar situation.

He talks about the distribution network. It would be very naive to think that this distribution network did not exist in all parts of society before! In my own riding or, without even going that far, how many parliamentarians know that illegal cigarettes were sold right here on Parliament Hill?

In my riding, the day before the Prime Minister made his announcement, I received a phone call from a constituent complaining that the village's local smuggler had just made a delivery to the parish priest's house. It is a sad, very sad statement.

We saw the same thing in another region with the MATRAC group, when similar statements were made by other people in society sharing similar positions. These people did not see themselves as criminals, yet they unknowingly were part of an organized crime network.

(1550)

[*English*]

Mr. Dick Harris (Prince George—Bulkley Valley): Mr. Speaker, the hon. member talked about realities. I would like to talk about realities as well.

Reality number one is that, yes, smuggling is against the law. Reality number two is that when people break the law, law enforcement should ensure that they are caught and punished. Reality number three is that in recent months it has been clearly identified that 70 per cent of the cigarette smuggling was occurring on the Mohawk reserves. Reality number four is that the previous government failed to act on this smuggling. Reality

number five is that the current government has failed to enforce the law that would curtail this smuggling as well.

The reality is that for whatever reason the government has tied the hands of our law enforcement agencies, for political correctness perhaps, maybe for other hidden political agendas. The fact is that the RCMP has not been allowed to enforce the law, which is what it is supposed to do.

Another sad reality is that the government has failed to do the right thing: enforce the laws of the country. It has chosen instead to do something totally opposite, to disregard the fact that there are law breakers that have to be stopped. It has chosen to lower the price of cigarettes. That is a far cry from enforcing the law.

In reality I can imagine criminals on seeing a precedent set like this, saying: "Okay, let's look for the next one and see if we can get them to move away from law enforcement".

Mr. Boudria: Mr. Speaker, I do not think there was a question there. Let me add a reality number six or seven to what the member has just said. The reality is that the laws that were there have ceased to be laws because of the negligence of others in the past.

Law and order had to be restored. It was done because it was the right thing to do. Politically correct, my eye, I say this to all my colleagues. When my constituents were being shot at and when people were losing their lives over crummy packages of cigarettes, it was time for governments to do something, and I am proud of it.

Mr. Jake E. Hoepfner (Lisgar—Marquette): Mr. Speaker, I appreciate the hon. member's comments. It almost astounds me that we fail to realize what really has caused this problem.

In the 1970s when the government of that day allowed 24 per cent interest rates, allowed farmers and businessmen to be put out of business, I stood beside graves of people who committed suicide because of the overspending and overmanipulation of the political system. Today he makes a very emotional speech. I wonder what he is going to tell his future great-grandchildren when they have no food to put on the table and they shoot each other because of it. Who will they blame then?

It is because the governments of the last 25 years have not been able to make a decent decision to enforce laws, where thousands of people died in two world wars, that is why we have this problem today. We had better realize it or we will go down in history as some of the worst decision makers ever in the country.

Mr. Boudria: Mr. Speaker, I am not sure I understood the analogy the member was trying to draw. If he is insinuating that our ancestors fought for freedom and for respect for law, that is exactly what I am advocating as well.

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(1555)

Mr. Jim Silye (Calgary Centre): Mr. Speaker, this is just getting good. I hate to spoil the party by speaking in support of Bill C-11, an act to amend the Customs Act and the Excise Act and the Tobacco Sales to Young Persons Act.

In my riding of Calgary Centre this issue has attracted some concern and some comment. It is basically split 50:50. The government's four point action plan on smuggling comes under criticism where it lowers the price of cigarettes and that it impacts upon the increase in health costs and such. That is a concern and I have expressed it. Nevertheless in evaluating this bill and the steps taken by the government I feel it is worth going forward with it.

The federal government is currently losing a guestimate of \$60 billion to \$80 billion per year to the underground economy. This loss of revenue has a direct negative effect on the ability of small law-abiding businesses to compete in the private sector. In the end it is the Canadian taxpayers who end up paying for the loss of revenue and the increased cost associated with the lucrative practice of smuggling.

This problem is rooted in the fact that Canadians pay too much tax and have lost faith in government's ability to manage money, manage resources and live within its means. We will find out this afternoon at five o'clock how much better the government is going to do in managing resources and doing something with the economy.

Canadians are finding it more and more acceptable to purchase smuggled goods because of the taxes and surtaxes they have had to pay legally on items. This problem is not limited to just cigarettes. It is a problem related to clothing, alcohol, groceries, jewellery, guns and the list goes on.

According to government statistics the average price of a carton of cigarettes was around \$45 to \$48. The same carton could be purchased in the United States for \$15. This differential made the cigarette trade appealing to many Canadian smokers and to a large degree organized crime.

A single case of cigarettes containing 50 cartons can produce at least \$500 profit. A thousand cases per week could therefore mean a profit of half a million dollars for suppliers. With this kind of profit motive it is no wonder smuggling has become so desirable.

Canadian cigarette companies were well aware of this new market and as a result increased exports of cigarettes at an incredible rate. In 1985, 3.5 million cartons were exported to the United States. The figure now is over 62.8 million cartons per year. This increase of over 1900 per cent in eight years is not due to the fact that Americans have begun to love our cigarettes.

Having gone to California quite often I know most of them hate them.

Cigarette companies knew there was a market for the product and they were using it as a means to sell more cigarettes here in Canada. It is estimated that between 85 per cent to 90 per cent of the tobacco products destined for exports find their way back here.

For non-smoking Canadians who do not feel that the problem of smuggling affects them I ask them to think again. The number of people charged by RCMP customs and excise has increased from 414 in 1990 to 3,389 to date. The number of seizures within this same timeframe has increased from 303 in 1990 to 5,044 to date.

Increased enforcement and prosecution combined with the loss of government revenues cost the government over a billion dollars a year. In the end it is every Canadian taxpayer, not just those who drink or smoke, who end up paying these costs in the form of higher taxes.

My party strongly believes that the federal government has a spending problem and not a revenue problem. Spending cuts alone will not make the problem of smuggling go away. The only way to truly eliminate the problem is to reduce the profitability to smugglers. By reducing the cost differential between smuggled and retailed cigarettes, ordinary cigarette smokers will have less incentive to seek out and purchase illegal cigarettes and on a larger scale organized crime will no longer be able to profit from it.

Only when the profit is removed will smuggling be reduced. Law enforcement alone, without the removal of the profit margin, would not be enough to solve this major problem. Bill C-11 is the first of many necessary steps toward the elimination of the problem.

(1600)

It is estimated that over 70 per cent of smuggled cigarettes come through native reserves in Ontario and Quebec. As we know, this has become a major political issue over the past few weeks in the House, in question period and in the country.

The fact is, however, that people of all colours and walks of life are involved in the illegal cigarette trade. Also there has been a smuggling stigma created by a small group of native Indians who are breaking the law that is having a negative effect on the majority of native Indians who obey the law.

As some of my colleagues have said earlier, law enforcement on or off native reserves should be adhered to and should be adhered to quickly.

There have been many concerns expressed by health organizations and individual Canadians who believe that by reducing the

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cost of cigarettes more people, especially younger people, children, will begin to smoke. In my opinion by raising the legal age to smoke, eliminating kiddie packs and limiting vending machines to bars the government has taken a step in the right direction toward the reduction of smoking for young people. This fact in combination with increased fines for retailers who sell to minors and fines for minors who are caught smoking will help mitigate the problem.

We must not lose sight of the fact that this bill is primarily targeted at the multibillion dollar smuggling market. Federal and provincial governments tax cigarettes and liquor not just to reduce consumption but to generate extra revenue for other programs. These so-called sin taxes combined with health awareness campaigns will not eliminate in its entirety the use and abuse of these substances.

If we go back to before this act, what were the facts? The facts were that people were smoking and that people were drinking, except that the purchase of cigarettes went into an underground economy. This is an attempt to bring it to the surface. It is up to all Canadians to deal with this problem at home, in schools and in their communities.

If further measures need to be taken by the government then we should vigorously examine all of our options. The bill addresses organized crime, the tobacco companies and respect for the law.

The critics of the bill, including some of my caucus members, have focused on health care costs rising, more young people smoking and the loss of revenues at a time when government can least afford it. There are other means available to deter smokers without relying on taxation only. For instance, we could have variable insurance premiums for smokers and non-smokers, the same with alcohol drinkers and non-alcohol drinkers, the same with automobiles in that the more accidents one has or the more risk one is the higher the premium.

The issue with respect to children is being addressed because to combat the lower price it is prudent and wise of the government to raise the legal age, introduce fines, enforce them on the school yards and restrict the use of vending machines to those venues that must check the age of the customer. Also, as I mentioned earlier, by eliminating mini-packs and labelling cigarettes for export this will restrict the flow of illegal and legal cigarettes to the youth of the country.

Furthermore, the advertising and education programs about the effects of smoking should be recognized as an influencing factor, although not an end in itself. Despite the many lectures of parents to their children, despite the many TV commercials, people still smoke.

We must remember that at the end of the day, try as government might, it really cannot legislate through taxation totally a country's social behaviour. It can only have an influence.

Through this bill organized crime will be neutralized by the removal of profit and greater law enforcement. The two go hand in hand. My colleague, my seatmate, has indicated that law enforcement is the cure and I agree with her. I also believe that we have to lower the price to take the profit out of it.

The tobacco companies are also being addressed and in a way punished for their past behaviour by the introduction of an export tax of 8 per cent.

(1605)

The increase in their corporate tax rate from 21 per cent to 30 per cent and a 3 per cent surtax on the tax paid portion, which according to the Department of National Revenue will generate \$200 million more revenue to the government, are indications that the tobacco companies are not getting away scot-free on this.

In conclusion, law enforcement and respect for the law are very imperative, despite what the hon. member from the Liberal Party said earlier that they are doing it. They are not doing it. We have not seen any evidence of it being done but the RCMP must move swiftly to those known major areas of smuggling activities to eliminate the perception of two sets of laws in Canada.

If this is not done and not done swiftly then all the critics of this bill will prove to be right and the government will be totally embarrassed. I do not smoke but I might go out and have one.

Mr. Julian Reed (Halton—Peel): Mr. Speaker, I listened with interest to that contribution from the hon. member for Calgary Centre.

He has taken quite an enlightened approach to this problem and pointed out a problem that every member has in the House which is that his or her constituents are split on the issue of taxation and the impact of taxation.

It should be reinforced that the only reason tax reduction was introduced was that simply to impose an export tax would only look after about half of the cigarette smuggling problem.

Close to half of the product that has been coming across the border as we all know now is counterfeit. It is manufactured in the United States and it has very nice looking Canadian packages and Canadian labelling. It is very difficult to tell it from the real thing.

That was obviously the reason why that tax reduction was introduced. One thing that we can do is convey to all the citizens of this country through our constituencies that there was a reason for it. It is not intended to knuckle under to the tobacco industry. As a matter of fact it will be reinstated as soon as this problem is brought to an end.

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It is also important to put on record that Mr. Clinton in the United States with the introduction of his medicare bill has made it clear that tax will be added to American tobacco. That effort should help us a great deal. It behooves us all to encourage Mr. Clinton to bring that new tax in in the United States sooner rather than later.

This is where the member for Calgary Centre slipped. He had my attention until he said there is no law enforcement. He will find and we all will find very quickly that the law is being enforced and it is being enforced very well. The RCMP is doing its job.

Already we have a news report that in one area particularly smuggling has been reduced to a trickle. The smugglers are beginning to be put out of business. In the next few months we will be standing in this House applauding the RCMP for the very fine work it has been doing.

Mr. Silye: Mr. Speaker, I appreciate the member's opinions and comments. We know where the lines of communication are. The RCMP knows where they are. Why is there not a headline? Why are the people who are doing it not captured?

I disagree that it has enforced the law. For months we have heard the same thing from the Prime Minister. He said that there is no such thing as a no-go zone and that the law will be enforced across the land. We see on television time after time, as a lot of the Bloc members brought up, that it is not being done.

I would like to see the law enforced. I would like to see the police visual. I would like to see the police rather than the politicians capturing the headlines. I would like to see these crooks put in jail. That is what I would like to see but it is not happening.

(1610)

The Prime Minister said he had a great reluctance to lower the tax, fine. The person who talked him into it was the head of the RCMP. This is what he needed in order to do his job, take the profit out of it and then he will go and capture these guys. Fine, the great RCMP can go and capture them. Let me see them captured. I have not seen it yet.

Mr. Dick Harris (Prince George—Bulkley Valley): Mr. Speaker, I can agree about 85 per cent with my colleague from Calgary Centre.

First, I agree with him most emphatically that the law enforcement the government has talked about simply has not happened. I draw a comparison between what would happen in a neighbourhood in most communities in Canada if there were a suspicion for example that there was an illegal marijuana garden in the basement of a house.

I can assure members that from seeing the results of such activities in the papers over many years the RCMP is over that residence like a swarm of bees. I suggest that growing marijuana

is breaking the law the same as smuggling cigarettes. I have not seen the RCMP forces over the known areas of smuggling like a swarm of bees like we would see in other communities. I suggest that although law enforcement has been spoken about by the government it has not been happening.

I also agree that a combination of law enforcement and tax changes regarding cigarettes is necessary to solve this problem. However I suggest a different formula.

I suggest that rather than reducing the taxes on cigarettes in Canada we should have doubled the export tax that we presently have to \$16 a carton. With the extra \$8 a carton we could use that money to pay for increased law enforcement to cut down on the smuggling. We could cover the areas where the smuggling is taking place with a larger and more effective police force, one that was being paid for by the export tax that should have been added to the cigarettes.

Mr. Silye: Mr. Speaker, the member did not agree with me 100 per cent so I cannot have him as a seatmate.

Mr. Rompkey: Eighty per cent is not bad.

Mr. Silye: On his second point, as a constructive alternative I do not really disagree with that suggestion. However it is not within our power to make those kinds of rules. I can say that by admitting that he has agreed to 85 per cent of what I said, we will have another Reformer voting for the bill.

Mr. Garry Breitzkreuz (Yorkton—Melville): Mr. Speaker, I do not know if I should put my hon. colleague on the hot seat, but I would like to run this past him and see how he would respond.

There are many honest citizens in this country who object to taxes but who do not break the law in order to make their point. Here we have a government that has responded to illegal activity and reduced taxes. There are many farmers who have supported the Reform Party who really want tax reduction. Why does the government not respond to them with the same urgency with which it responded to a certain element in society?

I wonder what my hon. colleague would say if I said there are many honest citizens in the country who really want tax reduction but do not break the law in order to do that. How can we reconcile what we have done here? If we support tax reduction for this reason why do we not have that same urgency in supporting it for the many honest people?

Mr. Silye: Mr. Speaker, that is a very difficult, tough question. I guess a way that I would try to answer that is that the number of smugglers is low. The people who are cheating the system and who are developing this market are few, whether native Indians, white Anglo-Saxons, Chinese or American. We are not focusing on capturing the criminals. Where they sell the smuggled cigarettes is into a marketplace that a lot of Canadians have been willing to go because of the overspending of government after government after government, Liberals, Conservatives and now back again to Liberals. Instead of people going to

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the store and paying somebody \$48 a carton they will buy it if somebody shows up at \$22.

(1615)

To solve that problem, take the profit out of it and we have it cured. If there is a health problem, there are ways that we can solve the health problem. If alcohol becomes a problem, we can solve that problem. It is not the honest farmers who are causing the problem. It is the few and minor elements of society that are making the many in society look bad and they are holding up the many in society to ransom.

I hope I have answered the question somewhat.

Mrs. Dianne Brushett (Cumberland—Colchester): Mr. Speaker, I applaud the hon. member for Calgary Centre and congratulate him on his excellent speech. It was certainly very intelligent and totally comprehensive of the entire package that has been brought forward in this bill.

I would like to indicate to the member that he has convinced me as to how I should vote on this bill. In terms of his colleagues, I appreciate the point that he has brought out, that we cannot legislate social attitudes and social behaviour. We can do everything in our power in this House to look at each issue comprehensively and try to find the best solution that serves the majority of people who are law-abiding citizens.

I congratulate the member on the broadness and intelligence of his approach. I hope that he can take this to his colleagues and convince them of the merits of the bill.

Hon. Warren Allmand (Notre-Dame-de-Grâce): Mr. Speaker, the hon. member in his remarks seemed to equate law enforcement with the arrest and conviction of criminal smugglers.

I want to ask him whether he thinks it is a more effective type of enforcement where the measures taken deter or prevent the smuggling from occurring in the first place. It seems to me that is the type of enforcement that we have encouraged with the broad range of measures which he seems to support. In other words, through increased resources to the RCMP and to customs agents, increased by lowering the price of the cigarettes, by a wide range of measures that is in the program, we are deterring continued smuggling at the level that it was at.

I want to ask the member if that is not a better type of enforcement than having the crime take place and then attempting to arrest the person after the fact?

Mr. Silye: Mr. Speaker, I appreciate the hon. member's question. That philosophy and that argument is what is forcing a lot of my colleagues to argue that the government was afraid to enforce the law. The law was there. We knew where the smuggling was taking place and nothing was being done about

it. Nobody was going there and arresting those people. They were staying away from those areas.

The member's philosophy now is or he is suggesting that by eliminating the profit out of smuggling that the smuggling will not occur and therefore the arrest will not have to happen.

An hon. member: Plus increase police resources.

Mr. Silye: Plus increase the police resources and enforce it. That is a fine argument, but we have not captured the people who were responsible for the smuggling in the first place. They will just find something else to smuggle now. If they knew who was doing it, why did they not arrest them prior to the price reduction?

Like the complete four point package, it is a package. I think it is a way to solve this problem. To shy away from enforcing the law—and the Minister of Justice is listening to us intently here—is backing away and shirking your responsibilities. I am not saying that the minister has shirked his responsibilities, but somehow, and I am just repeating what has been said to me by a lot of people, there is a perception that there are two sets of laws, one for native Indians and one for on reserve and off reserve natives. The RCMP has been reluctant—I am not saying it was ordered not to—to enforce the law where the law was being broken.

(1620)

This is a package to eliminate all that. With respect to the members of my party who spoke out in terms of law enforcement, this is the area where the government's action has been weak; the argument about if the speed limit is being broken, then raise the speed limit and the law is not being broken any more. Let us enforce the law.

Some hon. members: Hear, hear.

Mr. Silye: My side woke up, finally.

I think it is imperative that the government not shy away from its law enforcement duties even though it changed the law so that the law will not be broken.

Ms. Susan Whelan (Parliamentary Secretary to Minister of National Revenue): Mr. Speaker, as in past weeks we have learned a lot today about the smuggling issue and we will continue to discuss the matter, but discussion is not enough. To the government members of the House the bottom line remains that we have a responsibility to take action now against what has become a national epidemic of problems created by smuggling. That is why I am speaking today in support of Bill C-11.

As the hon. Minister of National Revenue pointed out earlier today, smuggling has grown into a national problem requiring a national solution. No longer is the smuggling phenomenon restricted to specific regions of the country. It has been evidenced today by many members in the House that it is

widespread across Canada. It has spread to all parts of Canada and it affects all Canadians.

History has shown us that if left unchecked, the problem can only get worse. History has also shown us that empty threats and promises are not effective against this phenomenon. It is time for action now.

As well, we have learned over the past few months that the costs of smuggling are staggering. Tobacco smuggling alone has cost the federal government over a billion dollars in lost revenue. The provincial governments have also lost a billion dollars to tobacco smuggling.

This is revenue that was to be used for programs such as health, social services and employment, revenue that has been taken away from government thus reducing its ability to help Canadians who need it the most, revenue that has been placed into the hands of criminals and organized crime to finance their illicit activities.

These activities are not restricted to contraband tobacco products but also drugs, alcohol and weapons. Smuggling has also cost the legitimate business operators in Canada who cannot compete with the tobacco contraband market. These businesses are losing more sales and in more areas of the country as contraband sales steadily increase.

The costs are not all monetary. Smuggling is no longer just an issue of tax avoidance by smokers. It has resulted in cheap tobacco products being easily accessible to young Canadians. I want all Canadians to know that the smuggling networks have penetrated our school yards. They are offering cheap tobacco products to young people. These same networks that used to sell drugs and other contraband are used to sell drugs and other contraband products to our youth.

Past government inaction and intolerance of tobacco smuggling has resulted in a disregard for Canadian laws, disregard not only from criminals but from Canadians who would otherwise be law abiding citizens.

Bill C-11 is an integral part of this government's four point anti-smuggling and anti-smoking initiative. The proposed amendments that Bill C-11 will make to the Excise Act, the Customs Act and the Tobacco Sales to Young Persons Act are evidence of this government's resolve to act to restore respect for our laws and to protect young Canadians.

I would like to describe again for those members present in the House the basic elements of the bill.

(1625)

The first amendment would allow the government to designate provincial and municipal police forces as appropriate with authority to enforce provisions of the Excise Act, expanding the police resources to combat smuggling.

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This will assist in cutting off the flow and distribution of contraband products into the marketplace. These are the same cheap products that are reaching our young Canadians and the same cheap products that undermine anti-smoking initiatives and drain revenues from legitimate public programs.

The second amendment, both to the Excise Act and Customs Act, would allow for the immediate disposal of certain seized products without hindering the successful prosecutions of the criminals involved. This measure will save taxpayers significant costs each year by reducing the cost of storage of these goods and the resources needed to protect and monitor them.

The third amendment to the Excise Act will require that each individual cigarette that is to be sold in Canada be stamped to indicate that the federal taxes have been paid. This amendment will greatly assist enforcement agencies in identifying contraband cigarettes. In addition law-abiding citizens will be able to easily identify someone smoking contraband cigarettes. We will be able to know if anyone in the room or our neighbour has bought legal cigarettes.

The last two proposed amendments to Bill C-11 are to the Tobacco Sales to Young Persons Act. The first of the two amendments would prohibit the manufacture and the sale of so-called kiddie packs of tobacco products in Canada. These kiddie packs contain fewer than 20 cigarettes per package and are targeted specifically to the young people of Canada.

The second of the two amendments will prohibit the importation of tobacco products into Canada by anyone under the age of 18. This will provide Canada Customs with the authority to prevent young persons from importing tobacco that they could otherwise not legally purchase in Canada.

As the hon. minister has outlined for everyone today, action has to be taken to address the smuggling problem in this country. Bill C-11 specifically supports two key elements of the government's anti-smuggling initiative, enforcement and the health and safety of young Canadians.

The proposed amendments to the Excise Act and Customs Act will provide additional tools to police forces to help them crack down on all facets of the smuggling trade. The proposed amendments to the Tobacco Sales to Young Persons Act will support the protection of the health and safety of young Canadians.

This bill is an essential element of the government's overall strategy. We certainly do not pretend that these proposed amendments offer a complete solution to the problem. Rather, they support the broader anti-smuggling initiatives that this government has undertaken. Without these amendments the government's efforts to combat smuggling would be significantly undermined.

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The time to take action is now. As we can see from the debate today, this is a very controversial topic. But as we can also see from the debate today, there are many members on the opposite side of the House who would agree with this government's action. This action by the government reflects the responsibility of all parties that have interest in this debate.

This government can no longer afford to allow the momentum of this phenomenon to continue to accelerate. It is for this reason that we ask all members to support the passage of Bill C-11.

Mr. Dale Johnston (Wetaskiwin): Mr. Speaker, I notice that the hon. member mentioned smuggling of alcohol. The price of a bottle of spirits in Canada is about \$20 as opposed to about \$10 in the United States. Eighty-seven per cent of the price of a bottle of spirits in Canada is made up of taxes. An estimated four million cases of 12 bottles are smuggled into Canada every year from the U.S. and about 13 million cases are sold legally in Canada.

Provincial governments and the federal government are losing billions of dollars in revenue as a result of this smuggling. I am wondering when the government is going to come up with a plan to reduce the taxes on alcohol because there is exactly the same scenario here. These cases are parallel in my mind.

I would like to ask the hon. member when she would recommend that taxes on alcohol be reduced.

(1630)

Ms. Whelan: Mr. Speaker, this government's action plan has addressed the issue of smuggling. We have addressed and acknowledged that smuggling is not limited to tobacco. This plan is set out with that focus in mind: to address all aspects of tobacco, alcohol, guns, whatever. We are increasing enforcement by 25 per cent. The bill allows certain sections of enforcement to be expanded and given to designated police forces to assist in combating smuggling, not just of tobacco but of alcohol and other items as well.

[*Translation*]

Mr. René Laurin (Joliette): Mr. Speaker, I am very pleased to note that most of the comments and arguments in support of this bill are, as everyone will concede, quite logical. Sadly, these arguments should have been made one, maybe even two, years ago when the Government of Quebec requested Ottawa's help in halting the spread of contraband activities and in eradicating this problem.

We were experiencing similar problems with our young people. They were dropping out of schools and joining smuggling rings. However, the problem was not viewed as too serious because it was occurring primarily in Quebec. Now that Quebec, through the presence of 54 Bloc Québécois members in Ottawa,

has forced the government's hand, forced it to take action and support Quebec's position, others are starting to get worried. It is as if suddenly, it is morally right to abolish a law which had become punitive.

People no longer obeyed the law, not because they had become thieves, but because they were no longer able to obey it, Mr. Speaker. That is what we are trying to denounce today.

Steps should have been taken two years ago so that these situations could have been avoided altogether. In some cases, it is perhaps too late. Our young people have been drawn into these smuggling networks. Perhaps the future of these 15 or 16 year olds who make \$1,000 a week through their involvement with smuggling has been ruined forever.

The government should have admitted at the time that the problem existed, not just or primarily in Quebec, and that it represented a real danger for the rest of Canada. It should have intervened.

If the government takes action that is too harsh, such as imposing ill-considered fines, it runs the risk that these fines will be paid under the table. If people start bribing officials, our jails will never be big enough and we will have another problem on our hands. That is what always happens. I hope that the government has learned its lesson and that in its budget speech this evening, it will not announce further ill-considered taxes which will push citizens to the breaking point.

The Deputy Speaker: Does the parliamentary secretary wish to comment?

[*English*]

Ms. Whelan: Mr. Speaker, I could not agree with the hon. member more that if two years ago the government had taken action we would not find ourselves in the situation we are today.

Unfortunately the government two years ago did not take action. There are members on this side of the House who have pressed this issue for the past five and six years. Unfortunately the past government did not take action. However that is what we are doing with our anti-smuggling and action plan. We are taking action.

I would also like to inform the hon. member, in case he is not aware, that this government was aware of the problem as an opposition party. We took hold of the problem when we became the government. We began addressing the problem immediately after the October 25 election.

If the hon. member would refer to newspaper articles he would see that before the House was recalled in January we had already begun discussions. We are dealing with the problem.

Mr. Andrew Telegdi (Waterloo): Mr. Speaker, let me congratulate the member for Essex—Windsor on a very thoughtful presentation.

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The speaker previous to her started a debate that got picked up by the member for Notre-Dame-de-Grâce. It relates to enforcement. There are two ways of doing that. Looking at policing nowadays, there is proactive policing which is being promoted by all police forces versus reactive policing. The concept of proactive policing is that we try to prevent crimes from taking place versus reacting to a crime and trying to catch the criminals after the fact.

(1635)

Has the member thought about the distinction between the two and which she might find more preferable?

Ms. Whelan: Mr. Speaker, this government has addressed the criminal aspect and how we can prevent it from happening.

As mentioned earlier, clause 3 of this bill allows for enhanced enforcement of other police officers and other police forces designated by the government. That will assist us in preventing future smuggling and will stop it before it accelerates any further.

Mr. Myron Thompson (Wild Rose): Mr. Speaker, I see from the list I have been asked to speak on justice enforcement. I am pleased to do that because I believe justice is one word which is rapidly disappearing from Canadian society.

Justice to me has always meant that the wrongdoer is caught, brought to accountability, prosecuted and when found guilty is punished. And the punishment is supposed to meet the crime. Seeing what is going on today with Bill C-11, we have really shown these smugglers a thing or two. We have lowered the taxes and has that not taught you a lesson, Mr. Smuggler? Boy, you ought to be ashamed of yourself. I bet that frightens you.

I cannot for a moment believe we think this is justice. We have a country full of smugglers who are happy to carry on with smuggling cigarettes east and west as much as they can but will probably move into other areas, maybe alcohol. They may have to go to illegal drugs. Probably a lot of pornographic material could be worked on. Smuggling has become a thriving industry. But there is a tough government and if smugglers are caught it will compromise.

We have become a country of compromisers. No longer do we punish for wrongdoing. We need only to look at first degree murderers. We have compromised to the point where a first degree murderer can be back on the street in 15 years. Through legislation we have compromised to that.

We have compromised so successfully that in my riding when I tour around I see bars on the windows of the houses and stores. We do not need bars on jails any more; we need them on the doors of our homes and businesses so we can lock law abiding citizens in while the crooks run around on the streets.

I really am concerned. What is wrong with the idea of justice?

We have a new bill, Bill C-11. This bill was brought about because the government could not or was not willing to enforce the current laws. We have laws against smuggling and now we have a new bill. I am not sure whether this is a way of finding work for certain bureaucrats. It will keep them busy producing more paper for us to look at.

We certainly did not need a new law to enforce smuggling. What we need is action from a government that has the political will to say it is time to stop compromising with the criminal element in the country and that justice will prevail regardless of race, colour, creed or who one is. Criminals in the country must pay the consequences.

(1640)

The Prime Minister admitted that 70 per cent of the cigarette smuggling problem occurred in limited areas in Quebec and Ontario. If that was known, why did the government not do something about the law breaking under the existing law? "Oh, but we did. We lowered the taxes". I keep hearing that. "We have stopped the smuggling cold. No, we did not want to go in there with guns blazing. We cannot do that. We have to take these other kinds of compromising positions". It is going on and on and has been going on for many a year.

The Prime Minister filled the House with sounds of fury the other day, blustering about getting tough with smugglers. I am waiting to see that happen. One moment the government concedes that smuggling occurs in limited areas in Ontario and Quebec. The next moment it is telling Canadians that smuggling is Canada wide. I do not doubt that for a moment.

When are we going to address the fact that there are law breakers out there? Instead of sitting back in our closets trying to dream up some scheme that will cause them to quit, why not bring punishment forward? Justice is one thing the country has been proud of in the past and should be proud of in the future.

I really became discouraged when I heard a member a while ago saying that enforcement was going to take place. Then he talked about the young person who would have a pack of cigarettes in his possession. Boy, we are really going to get that young person if we catch him with cigarettes.

The other day we talked about a bill and how severe it was going to be if a person was caught using an illegal drug. I did not hear anything about what we were going to do to the suppliers, not a great number of people, who put those things in the hands of our youth. We never hear that.

We hear stories about car bombings that are supposed to be the result of some organized crime associated with smuggling. Yet a Canadian journalist cannot find this car bombing, if it took place. I did not read anything in media reports about a car being bombed because there was some kind of battle going on over

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smuggling territory. I did not read anything about it, but apparently that is what happened. Why are these things so hush, hush?

The Prime Minister states there are no no-go zones. Yet a journalist reports of an RCMP officer having shots fired at him while observing smuggling. I did not see any report anywhere where the police had entered, searched or confiscated the weapons used to fire upon that police officer. Is it not the law that you do not fire upon police officers when they are trying to do their duty? If so, why was that law not enforced?

The Prime Minister has stated that the warriors on the Mohawk reserve have paramilitary weapons. Mr. Speaker, you had better not have any paramilitary weapons up there in Edmonton because they are going to come after you. Why is this just being ignored?

I inquired and discovered that aboriginal Canadians on reserves are bound by the same laws as all Canadians. When are we going to treat it that way? I did not hear that police had confiscated any restricted weapons that were documented as being used upon members of the RCMP.

I have problems believing that any new law preventing smuggling is going to be any better than the old law. Until we get the political will in this House, until we get to the point where we say justice must prevail, we have got to stop compromising with criminals and start enforcing the law and making justice happen. It has to meet the crime.

(1645)

Stopping the so-called kiddie packs is the one thing that is excellent about this bill. The only problem is that we will not have to worry about the kiddie packs any more because now they can afford the 25 packs. Nothing was solved but it was a good gesture just the same.

I really do not understand why we could not put a high import tax on all Canadian manufactured tobacco products. If we would have done that, the price differential between domestic and smuggled cigarettes would have been so small that would have stopped it. However, that still does not for one moment indicate to me that is the answer. The smugglers can now carry on and find something else to smuggle. They have now been punished because we have made it impossible for them to smuggle cigarettes.

I have looked at the whole issue. I am prepared to support Bill C-11 if it will cause the government to go out there and uphold the law and treat all laws with equality. Good for them, if that is what it takes. However, I do not see where it is going to make a

lot of difference if it continues to have the same lack of will to go out into our communities and tell the law-abiding citizens that for once it is going to look after their needs and their best interests because the bad guys are the ones who need to get caught and punished. When are we going to start doing it? The sooner the better.

I can recall not too many years ago when I saw people sell booze to minors. Those people were arrested and put into jail for 30, 40 or 60 days. It was at a point when people would say: "We'd best not do it because we can get into trouble". There is no fear of the law. I use fear in terms of respect. There is no respect and it is bodies like this that cause that lack of respect. Put the respect back into the law by giving the police and those who are asked to enforce it the power that is necessary to support them and concentrate on the victims.

I will support Bill C-11 simply because if that is what it takes for the government to do something then I will support it. Law enforcement and justice must prevail. I have not seen where it is going to do it. I am waiting for the big day.

Mr. Morris Bodnar (Saskatoon—Dundurn): Mr. Speaker, it appears that the gist of what the hon. member for Wild Rose has been saying is that reduced taxation results in too much disposable income in the hands of certain people and those people then go and buy cigarettes and alcohol.

I wonder if it is the policy of the Reform Party that taxation should not be reduced in any area because it will leave too much disposable income in people's hands.

Mr. Thompson: Mr. Speaker, I see they listen as well now as they do during Question Period. I never mentioned for one moment that reducing taxes was going to cause any problems.

What I am saying is that reducing taxes is not what I call justice for the criminal element. We are going to reduce taxes and, boy, that will teach those guys a lesson. That is what is hogwash.

Ms. Roseanne Skoke (Central Nova): Mr. Speaker, the hon. member has been concentrating on law enforcement and talking about the criminal element. I would like to take this opportunity to make a comment and to remind the member that there is a distinction between civil legislation and criminal legislation and the enforcement of criminal provisions versus the enforcement of civil provisions. This proposed bill does not lessen or detract from the criminal law, nor does it detract from the enforcement provisions of the Criminal Code of Canada. It introduces a new authority to enforce the civil provisions of the Customs Act, the civil provisions of the Excise Act and the civil provisions of the Tobacco Sales to Young Persons Act.

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(1650)

No authority currently exists under the Excise Act to allow police forces other than the RCMP to enforce civil provisions of the act. What we are talking about today is the enforcement of civil provisions of these acts.

Mr. Thompson: Mr. Speaker, I am sorry but I was distracted a little bit. I did not get all of the comment. As far as enforcement of the civil aspect, yes, we want that.

I am talking about the criminals, the smugglers. That is criminal. That comes under the Criminal Code if I am not mistaken. If you get caught for smuggling you should pay the penalty. I have not seen that happen and it is high time it did.

Hon. Warren Allmand (Notre-Dame-de-Grâce): Mr. Speaker, I listened to the hon. member and in his speech he repeated several times that justice should prevail. Of course we all agree that justice should prevail, but I notice that the hon. member's definition of justice is to be as tough as we can on the criminal and then everything will be just fine and dandy.

Some hon. members: Hear, hear.

Mr. Allmand: They all agree. It is my interpretation that the purpose of the criminal justice system is to prevent crime from taking place, to protect the public from crime.

In the southern United States they do just what the Reform Party is suggesting, be tough and throw away the key. They have the highest rates of violent crime in the civilized world. That is what the hon. member is suggesting, be tough, but forget about protecting the public from the crime that takes place in the first place.

What you have got to do if you are interested—

The Deputy Speaker: Order, please. The hon. member for Wild Rose.

Mr. Thompson: Mr. Speaker, if this member thinks for a moment that all we have to do is go out there and say: "You're not going to be able to do this any more, you lawbreakers, because we are going to lower the taxes", and they are not going to get engaged in some activity, then I do not know what he has been thinking about.

It has always been in this country, as long as I can remember since I have been here, that if one breaks the law one will pay the price and the price of that lawbreaking must fit the crime. Letting the criminal go on the streets is not doing that.

Mr. Bill Blaikie (Winnipeg Transcona): Mr. Speaker, I do not want to presume to mediate between the government and the Reform Party on this but the point that is trying to be made by the hon. member is that what the government has done has in some way subverted the rule of law by changing the tax structure

in order to deal with a problem which is essentially criminal in nature and that is smuggling.

If we believe in the rule of law, it is not a question of how hard we are on criminals, it is a question of whether we are hard on them at all. In fact what we have done here is simply changed the law in order to accommodate a circumstance that could have been dealt with in other ways.

That is the point I certainly want to make and have the member comment on. There are times when people break the law and we change it because it reflects changing values and changing circumstances, but I am not aware of changing values and changing circumstances that say smuggling is all right and we should therefore not try to deal with that simply by changing taxes.

There is the fundamental question here that the government has avoided. I can understand some of the reasons why it did what it did, but it is fair to say that the rule of law has been subverted by what the government has done. The government has chosen not to enforce law. It has chosen rather to change it.

Mr. Thompson: Mr. Speaker, I believe that is what I tried to say in my speech, but I do not want to leave out one factor. I will repeat it once again. Lowering taxes, as the hon. member was saying, as a method of stopping smuggling and then saying smuggling is okay is the thing I oppose. Smuggling is not okay. Smugglers must be caught, stopped and punished if we are going to put an end to it. They are going to find other things to smuggle and it will continue. You can mark my words.

Mr. Paul Szabo (Mississauga South): Mr. Speaker, it gives me pleasure to rise on this matter because again we continue to stray away from the fundamental thrust of the government's proposal and that is to break the back of smuggling now, not to deal with it after it has happened.

That is one of the reasons why the government introduced the excise tax reduction, the export tax addition and the surtax on manufacturers. It was to ensure that the combination of those actions would eliminate the profit incentive to the smugglers and break the back of smuggling.

The member has missed the point entirely and so has the entire Reform Party. I am absolutely astounded that after four or five hours' debate it continues to have such a narrow view of the world.

Mr. Thompson: Mr. Speaker, I do not believe we did miss the point of the debate, not for one little bit.

What the government is missing is that you do not compromise with criminals and say that they are free to go and do their thing again. Punishment has to come into play. I am calling for justice along with all the other moves that the government is making. That is only normal.

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Mr. Andrew Telegdi (Waterloo): Mr. Speaker, I have a question for the member for Wild Rose. I wonder if he studied sociology or the systems of the Soviet Union, Texas and South Africa in terms of law enforcement.

The Speaker: Does the hon. member for Wild Rose wish to respond?

Mr. Thompson: Mr. Speaker, I am not sure I got all that. It is a little noisy. I am sorry.

SUSPENSION OF SITTING

The Speaker: I wonder, my colleagues, if we could simply suspend for the last three or four minutes. May I have unanimous consent?

Some hon. members: Agreed.

(The sitting of the House was suspended at 4.57 p.m.)

SITTING RESUMED

The House resumed at 5 p.m.

The Speaker: Order. It being 5 p.m., pursuant to Standing Order 83(2), it is my duty to interrupt and adjourn the proceedings now before the House.

[Translation]

The House will now proceed to consideration of ways and means Motion No. 6 concerning the budget presentation.

* * *

[English]

THE BUDGET

FINANCIAL STATEMENT OF MINISTER OF FINANCE

Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec) moved:

That this House approve in general the budgetary policy of the government.

He said: Mr. Speaker, Mr. Prime Minister, members of this House, I certainly hope you stand up at the end of this speech.

I must say this is the fifth time that I have risen in this House to speak on a budget. It is the first time there has been anybody in the House when I spoke.

I am rising to table the budget documents, including notices of ways and means motions. Details of the measures are included in the documents.

Pursuant to an order of this House I will introduce a bill seeking borrowing authority for the 1994–95 fiscal year. I am asking that an order of the day be designated for consideration of these motions.

(1705)

This budget follows an unprecedented degree of consultation with Canadians. We have gained a great deal from this process, but one thing stands out above all others. Canadians seek fundamental change. They want their government to have a game plan and pursue it, a strategy for jobs and for growth.

[Translation]

Canadians know the kind of Canada they want.

Our goal is a Canada where every Canadian able to work can find a meaningful job.

A Canada where government facilitates change rather than blocking it.

A Canada where our public finances are in order, not ruin.

[English]

The days of government simply nibbling at the edges are over. The practice of endless process without product is gone. Our task is to put an end to drift. We need a new architecture for government and for the economy. That will not happen by leaning on nostalgia.

This budget sets in motion the most comprehensive reform of government policy in decades. We are putting in place an agenda for innovation in the new economy. We are responding to the needs of small business. We are launching a strategy through which government knows both when it can lend a helping hand and, as important, when it should stand aside.

We are undertaking a major effort to build a responsible social security system that is fair, compassionate and affordable, and that means making fundamental changes to our unemployment insurance system. It means overhauling the structure of federal–provincial transfers for social programs. It means doing so in a co–operative way with predictability built in, setting aside the old tactics of stealth and surprise.

The cold war is over. This budget sets out immediate actions attuned to the 1990s, actions that will be followed by a comprehensive review of Canada's defence policy.

[Translation]

To succeed we must get monetary and fiscal policy right. We have done the first. We are a low inflation country. We will stay that way.

[English]

We are and we will remain a low inflation country.

It is now time for government to get its fiscal house in order. For years governments have been promising more than they can deliver and delivering more than they can afford. That has to end and we are ending it.

The actions taken in this budget will reduce the deficit from \$45.7 billion this year to \$39.7 billion in 1994–95 and \$32.7 billion the year after.

This is a two–stage budget. Therefore, detailed fiscal projections are presented to 1995–96 only. However, in terms of deficit reduction we are not waiting for the second stage. The

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decisions taken today by themselves set us on a clear path to achieving the government's deficit target of 3 per cent of GDP in three years.

We will achieve this by using reasonable economic assumptions, not rosy forecasts. We believe that it is more important to meet a target than to declare an illusion and then fall short.

Canadians have told us that they want the deficit brought down by reducing government spending, not by raising taxes, and we agree. The era of tax and spend government is gone.

(1710)

Over the course of the next three years, for every \$1 raised in new revenues, we are cutting \$5 in government expenditures.

[*Translation*]

But success does not lie in government shutting down and sitting on the sidelines. Success lies in careful and creative engagement in the economy. It is not the principle of industrial strategy that is wrong. It has been the practice.

[*English*]

This is a budget about jobs, jobs for today and jobs for tomorrow. It is about implementing a strategy and taking immediate action. This is a two-stage process, not a 20-stage process. There are due dates, there are deadlines and there are firm fiscal targets to guide our reform.

We believe that there are three central challenges to be met. The first is to build a framework for economic renewal. The second is to construct responsible social programs. The third is to restore fiscal sanity to government so that it can devote its full energy to helping Canadian workers and Canadian families adjust to a world of change.

Let me begin with the first challenge, jobs, training, innovation. We are keeping our word. The infrastructure program is in place. It accomplishes what has been proposed before but rarely done, getting Canada's three levels of government working together for jobs.

We have restored full funding for literacy programs. To support apprenticeship training, the department of human resources is creating a youth internship program with the provinces and the private sector. Finally, the Youth Service Corps is being launched at up to 20 sites to give young Canadians meaningful work experience.

The question, then, is once trained, where are these young people going to find employment? The answer for most is in small and medium size business. They are today's vital vehicle for jobs. What does small business need? I will tell you one thing, Mr. Speaker, it is not another massive government program. Small business needs lower taxes, it needs access to capital, it needs fewer regulations and less red tape.

Payroll taxes are a barrier to jobs. They are a disincentive to go out and hire. In 1995, without action legislation it would require that unemployment insurance premiums shoot up to \$3.30 from their current rate of \$3.07. We will not let that happen.

More important, after discussion with the Prime Minister and the Minister of Human Resources Development, the government has decided to roll back the 1995 UI premium from \$3.07 to \$3.00. This will save industry almost \$300 million a year, money to be reinvested in new jobs.

Furthermore, as reform of the social security system kicks in and further significant savings are realized, more reductions in the UI premium rate will be possible and we as a government will see to their implementation.

Small business must have access to adequate capital. New practices, new attitudes on the part of the lending community are essential. To that end, a joint industry-finance task force has been set up to work with the banks and with small business to address these issues. Their first task is to develop a code of conduct for small business lending. That code will ensure that the criteria for loan approvals are transparent and provide small business for the first time with an instrument to exercise complaints when loans are turned down.

(1715)

In addition, the Minister for International Trade and I will soon be convening a meeting of the heads of the Canadian banks and the Export Development Corporation to seek an enhanced means of furthering the capacity of small business to export.

[*Translation*]

This government is taking other steps to help small business grow.

We will intensify and accelerate the effort to reform and remove regulations that create confusion and cost. We are putting in place a task force to provide, on a fast-track basis, a better regulatory regime that will improve the competitiveness of business.

We have accelerated the process for GST reform.

One-stop shopping for government services will be expanded, so that there will be a Canada Business Services Centre in every province of Canada by next year.

[*English*]

This summer we will issue a declaration of quality service delivery standards for all government departments.

Funding will be provided for a business networks strategy to help small firms achieve together what they cannot achieve in isolation.

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The Minister of Transport will implement needed improvements to the service freight transportation system with his provincial colleagues and stakeholders.

Finally, the residential rehabilitation assistance program, a major contributor to the home renovation industry, is being reinstated. Furthermore, in consultation with the Minister of Public Works and Government Services, we are replacing the existing temporary home buyers' plan with a permanent program that will allow first time buyers to use RRSP funds to purchase a home.

These things are now underway. There remains much more to do. Therefore today with this budget the Minister of Industry and I, the government, are issuing a document that will serve as the basis of an intensive dialogue with small business to determine how we build from here. The 1995 budget will incorporate the results of these discussions.

Innovation and ideas are essential for jobs today and in the future. They are our country's new natural resources. The federal government spends some \$6 billion a year on science and technology. Yet there is a major research and development shortfall in Canada. Public and private sector performance must be improved. We need to do better at getting ideas to market.

Therefore, after years of rhetoric and promises, the federal government will put in place a true strategy for R and D, one with real priorities, real direction and a real review of results.

We will develop a new long term space plan over the course of the next 10 years, \$800 million, that is both affordable and which offers the best possibility of commercialization and the creation of jobs. We will concentrate on areas of Canadian advantage, such as satellite technology.

As part of the exercise, however, of putting in place new priorities and because of very tight fiscal circumstances, unfortunately we have had to make two decisions relating to current R and D programs.

First, we are withdrawing federal support for the KAON particle accelerator project.

Second, we have decided to negotiate an orderly reduction in current commitments to the international space station program.

(1720)

In today's circumstances we must focus our R and D spending on areas where Canada has an advantage, areas where jobs can be created and where a clear market exists.

[Translation]

To create jobs and to help small business get access to cutting edge technology, we will create a technology partnership pro-

gram with universities and government labs, a Canada investment fund to provide needed capital and an engineers and scientists program.

The councils and agencies that fund university research are being excluded from spending reductions contained in this budget.

Funding for the National Research Council will be increased in 1994-95 after years of cuts.

[English]

In the weeks ahead, the Minister of Industry will be putting forward two papers; the first on the information highway, the second on the government's priorities in terms of science and technology. These papers will set the stage for an intense national dialogue on the challenge that is required to take existing resources and redirect them toward the creation of a national system of innovation.

[Translation]

We believe that respect for the environment and economic renewal go hand in hand.

In order to assist the establishment of mine reclamation funds, we are proposing changes to permit mining companies to deduct their contributions to these funds.

We are also improving the tax treatment of certain types of energy conservation equipment and we are providing enhanced incentives for newer, clean technologies.

[English]

This government is committed to sustainable development. Later this year the Ministers of Environment and Industry will put forward a strategy to encourage the growth of the environmental technology and services industry.

Furthermore, we are establishing a task force involving government, industry and the environmental NGOs to identify barriers and disincentives to sound environmental practices and to find effective ways in which to use economic instruments to protect the environment. And this is but the beginning.

As a country, we must never put aside our compassion and our obligation to help those who are in need. Our social programs must be made more responsible so that they build bridges to work, to independence, not dependence.

[Translation]

In the red book we proposed a prenatal nutrition program; an Aboriginal Head Start program; a centre of excellence for women's health; the restoration of the court challenges program and the Law Reform Commission and proclamation of the

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Canadian Race Relations Foundation. This budget, Mr. Speaker, keeps our word. [English]

Charities play an essential role in Canadian society. To encourage charitable donations, we are lowering the threshold for the 29 per cent credit rate from \$250 to \$200. We acknowledge this is a modest step, but we believe it goes in the right direction.

[English]

As part of the strategic initiatives on social reform, the Minister of Human Resources Development will undertake a demonstration project in partnership with the Government of Prince Edward Island and the Canadian Association for Community Living. This pilot project will seek to achieve enhanced opportunities for persons who have an intellectual disability.

It is often women who bear the brunt of social stress and economic dislocation. This budget begins to address existing disparities by ensuring that low income earners with dependants, most of whom are single mothers, are more fairly treated by the changes to the unemployment insurance program.

(1725)

Furthermore, the issue was raised of disparities that are perceived to exist in the tax treatment of child support payments as well as the issue of their levels and enforcement. A federal-provincial family law committee is examining that issue and will report this summer. We will respond immediately to its recommendations.

In the months ahead, we will be releasing a paper that looks at what an aging society will need in terms of services and what changes are required to the public pension system to ensure that it is affordable. That paper will also look at the question of changes to the tax treatment currently in place for private saving for retirement.

This will include the issue of pension plans and RRSPs and the use to which the funds invested are directed.

[Translation]

The Prime Minister will chair a National Forum on Health to foster a dialogue on the renewal of Canada's health system.

The Minister of Health will work closely with her provincial colleagues. No further changes in respect fo EPF health transfers are contained in this budget, in order to set the stage for that discussion. Our commitment to maintain the principles of the Canada Health Act remains firm and unaltered.

[English]

The government has announced its intention to renew and revitalize Canada's social security system within two years. A number of pilot projects will help pave the way.

[Translation]

This budget provides \$800 million so that innovative approaches can be tried in co-operation with the provinces and territories.

[English]

Good public policy requires predictability and planning. Beyond May of this year the previous government did not provide for any funding to assist those whose livelihood depended on the Atlantic groundfish industry.

This budget provides a five-year program costing \$1.7 billion in new funding and \$200 million in reallocated funding for a total of \$1.9 million for long-term adjustment. As part of that effort, the Minister of Fisheries and Oceans will with others develop innovative approaches for creating long-lasting jobs. The result of this effort will make an important contribution to the reform of the overall social security system in this country.

Today as a government, as has already been indicated by the Minister of Human Resources Development, we are advancing social security reform by taking specific actions relating to unemployment insurance and the federal transfers to the provinces that support social security.

Earlier we announced a major rollback in unemployment insurance premium rates. This will require immediate steps to begin UI reform. These changes will reduce expenditures on UI by \$725 million in 1994-95 and \$2.4 billion per year thereafter. The maximum duration of UI claims will be reduced for new claimants with weak attachment to the labour force.

The minimum entrance requirement will be increased from 10 weeks to 12. The benefit rate will be reduced to 55 per cent except for individuals with modest incomes who support children, an aged parent or other dependants. For them the benefit rate will be increased to 60 per cent.

Furthermore, to improve fairness there will be amendments to the provisions governing workers who quit their jobs voluntarily or who were fired for misconduct.

Let it be clear. The focus of our changes to UI is unequivocal. Our goal is greater fairness, a system that reaches out to the most vulnerable in our society, one that is progressive and one that helps get Canadians back to work.

(1730)

[Translation]

It is essential that social security reform leads to programs that are more affordable and work better for Canadians. To let

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us get on with the job of reform, all of us need to know what the limits on financial resources are.

[English]

For the federal government, transfers from the Canada assistance plan and the post-secondary education component of EPF must be no higher after reform than they are now. This will save the federal government at least \$1.5 billion in 1996-97 over and above the savings from UI reform.

Our targets are firm. If reform fails to achieve at least these savings, then other measures will be taken to achieve them.

We also intend to restore greater fairness in federal support for the whole transfer assistance system throughout Canada.

[Translation]

We want this reform process to be a co-operative one. We are providing a two-year period of predictability and modest growth in social security transfers to provinces while reform goes on. As promised by the Prime Minister, we will build towards a five-year period of stability in transfers.

It is time to restore fiscal responsibility to the public finances of Canada. The debt and the deficit burden pose much more than an economic challenge. This is a moral issue too. What right do we have to steal opportunity away from our children, to demand that they solve problems that we are too timid to face?

[English]

Stronger growth will reduce the deficit. But growth alone will not bring it down enough. Direct budgetary action is required.

[Translation]

Following through on our platform, the government will be reducing the operating budgets of government departments by \$400 million on 1994-95, increasing to \$620 million per year in 1995-96 and beyond. In addition we are looking at every government-appointed board, commission and agency. That review will focus on size, scope, composition and cost, including salaries paid to members. This review by the Minister responsible for Public Service Renewal will be completed in 1994 and action will be taken immediately.

[English]

The solution to the fiscal challenge that is facing Canada must be shared by all of us. As part of our deficit reduction exercise we need to save an additional \$1.5 billion from the operations of government over the next three years.

We very much want to work with representatives of the public service in achieving these savings. Therefore, the President of the Treasury Board will immediately initiate discussions with the appropriate bargaining agents of the public service. It is our

sincere hope that these very difficult decisions can be taken collaboratively.

It must be understood, however, that these savings are not a negotiating position; they are a bottom line fiscal requirement. To ensure that they are obtained the government is therefore announcing a two year legislative extension of the existing salary freeze and a two year suspension of pay increments within grade.

(1735)

[Translation]

To the degree that those savings are secured through a review of government operations, leading to greater efficiency, the government will shorten or lift those freezes.

Total savings in government operations during the next three years will exceed \$3 billion, over and above savings previously planned.

The Minister responsible for Public Service Renewal and the President of the Treasury Board will review all departmental spending to identify where greater savings are possible through the elimination or reduction of low priority programs.

[English]

During the election campaign we made clear the need to reduce defence spending. The Minister of National Defence has taken this mandate and has acted upon it decisively.

In addition to cancelling the EH-101 helicopter program which was announced by the Prime Minister the day that we took office, defence spending will be cut by an additional \$1.9 billion over the next three years. These savings, which include professional services, will be secured through major improvements in efficiency, productivity and cuts in defence infrastructure, including bases that have exceeded any probable defence need. A document attached to this budget provides greater detail.

The results of these savings will be a more modern and effective armed forces. With the end of the cold war and the pressing demands being placed on the men and women of our armed forces in the new world order, the Minister of National Defence has ordered a review of our defence policy. The government will report on the results of that review this fall.

[Translation]

This government is committed to continuing our tradition of strong support for international development assistance. However, the fiscal challenge requires additional restraint in spending. Therefore, we will reduce spending on international development assistance by 2 per cent for 1994-95. Spending will be frozen at that level until 1996-97. International assistance spending will still amount to \$2.6 billion annually.

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This situation will be reviewed following the re-examination by the Minister of Foreign Affairs.

[Translation]

Together with reductions in tax breaks for business, this budget reduces subsidies to business in excess of the \$225 million target contained in the red book.

[English]

Fiscal reality requires that the government review its policy on funding interest groups. Our goal is to encourage greater reliance on funding from other sources. To provide a period of transition for these interest groups, notification will be provided in advance. The full effects of this review will be seen in the 1995 budget.

I now turn to the question of revenues and taxation. I must say to the Prime Minister that I have received a lot of advice in this area.

The fundamental basis of a sound tax system is the reality and the perception that everybody pays their fair share. When an increasing minority avoid doing so, then the legitimacy of the tax system itself begins to suffer. We will be strengthening enforcement through special joint initiatives with the provinces and the business community to improve taxpayer compliance. As has been done in the past, specific measures will be announced by the Minister of National Revenue.

One of the reasons for the growth of the underground economy is that Canadians believe that taxes are too high and we agree. We want Canadians to rejoin the legitimate economy, not leave it. Our objective is to get the deficit down so that in the years ahead taxes can be reduced. But we are not there yet.

(1740)

[Translation]

That is one reason why it is so essential to break the back of the deficit. The bulk of the effort involves significant cuts in government spending.

But part of it must also involve looking at the tax system to ensure that all Canadians are paying their fair share. For that reason, we are acting today to eliminate a number of tax breaks that don't meet the standard of fairness that Canadians expect.

[English]

Accordingly, we are introducing today the following business tax measures:

Large private corporations with capital of \$15 million or more will no longer be entitled to the low small business tax rate.

[Translation]

Deductions and credits for meal and entertainment expenses will be reduced from 80 to 50 per cent. This will bring federal treatment into line with that already in place in Ontario and Quebec, as well as in the United States.

In addition, several regionally-based tax incentives have not proven cost effective. Therefore, they are being reduced or eliminated.

[English]

Certain Canadian corporations are not paying an appropriate level of tax. Accordingly, we are taking measures to prevent companies from using foreign affiliates to avoid paying Canadian taxes which are otherwise due. We are taking steps to ensure that the income of financial institutions is measured appropriately for tax purposes. We are taking other decisive measures to close loopholes in the current corporate tax system.

To reduce the deficit in the fairest possible way we are announcing the following personal income tax measures:

The \$100,000 capital gains tax exemption is being abolished while allowing individuals to use their unused exemption for gains accrued up until today. The \$500,000 exemption for small business shares and farm property will remain. The Minister of Agriculture wins again.

We believe, however, that as circumstances permit, a general lowering of the capital gains tax rate for small business and farmers could provide a greater incentive to entrepreneurship. For that reason a special study of the taxation of capital gains as it applies to small business and farmers will be undertaken with their full participation.

[Translation]

The age credit for persons 65 years and older will be income tested, as is the case for certain other benefits. This will not affect 75 per cent of seniors.

The tax exemption for premiums related to the first \$25,000 of coverage under employer provided life insurance plans is being eliminated.

Finally, many Canadians including members of this House, have expressed the view that the taxation of family trusts should be examined. This issue will be referred to the House of Commons finance committee for review, as requested by the Bloc Quebecois critic.

[English]

This budget is the result of the most open process of debate and consultation that has ever been attempted in Canada. People told us they want jobs. We have set the conditions for those jobs to be created.

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(1745)

[Translation]

People told us we should freeze spending. With the spending cuts in this budget, program spending in 1996–97 should be lower than in any year since 1991.

[English]

People have said: Reduce the deficit but do not do it with taxes. I repeat, in this budget for every dollar raised in revenues, \$5 have been cut in spending. We have consulted and we have listened.

Furthermore we are publishing a report today providing a response to the public consultations that have taken place and we will open the budget process up even more in the future. We believe that a free people will only support fundamental change if they feel part of the decision-making process that led to it.

Next fall in a major departure from the past, the government will release a comprehensive statement that will clearly lay out changes in the economic and the fiscal outlook since this budget. The government's economic and fiscal goals and broad proposals and how they might be achieved in the next budget will be made public.

Discussion papers on specific options for action will be released.

[Translation]

This new step in the budget process represents major progress. It will provide the basis for a serious, open, national dialogue between the government and Canadians.

Following the publication of these new documents, I will meet with my provincial colleagues. That meeting will assist all governments in working towards common goals together, rather than at cross purposes and apart.

The finance committee of this House will be asked to conduct public hearings involving Canadians to obtain their views on the direction for economic policy. The committee will report before the end of the year, in time for inclusion in next year's budget. As well, I will personally continue to openly consult with Canadians across the country.

[English]

I would now like to conclude this presentation by setting out the motivation that underlies this budget. The decisions outlined here are about much more than the bottom line. They are about facing fault lines and fixing them. The fault line that is caused when the poor become poorer while the rich become richer. The fault line that exists between this generation and the next. The fault line that exists in moving from the old economy toward the new. The fault line that is caused by the growing gap between

one class of Canadians with modern skills and another group without. And finally, the fault line that exists when governments spend more than the country can afford.

Fixing those fault lines is our challenge and fixing them is this government's commitment to Canadians. The path to renewal and to growth will not be easy. We cannot snap our fingers to erase the deficit, nor can we put in place a new framework for the Canadian economy, but neither can we delay with getting on with the job any longer.

We are pursuing a balanced approach to fundamental reform, to create jobs, to continue to care for those who are in need and to get the deficit down. This requires a game plan, it requires fairness and it requires being forthright with Canadians.

There will be those who will say we have not done enough and there will be those who will say that we have done too much. For those who would have us spend more, then Canadians deserve to know where the money would come from. For those who demand that we cut more, then Canadians deserve to be told the extent to which that would hurt growth, hurt jobs and hurt the less fortunate in our society.

(1750)

Tough times test our patience and our pocketbooks. They also test our values and our worth. Some believe that the success of Canada lies in leaving behind the values that have made us a great people. They would have us put aside sharing. They would have us put aside partnership. They would have us put aside the common sense and the compassion that define this country. Now is not the time to move away from our values. Now is the time to return to them.

Despair has stalked this land too long. The time has come to bring back hope. We have not become what we are by sitting still. What has guided us as a country are the values we share and the vision we have chosen to pursue together. So it falls to us, this generation, in this House, in our time, to do what those who came before us did in theirs, and that is to assume our responsibilities to create opportunity today. And that in the end is the standard by which we will be judged by those who come after us.

[Translation]

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot): Mr. Speaker, I do not understand why is Liberal government is so pleased. I do not understand why the colleagues of the Minister of Finance are so pleased, because bringing down a budget that is practically meaningless is certainly nothing to be proud of. And there is certainly no reason to be proud of this year's deficit forecast of \$39.7 billion, nearly \$40 billion.

Considering past experience, it would not be unusual, in the light of the quality of the forecasts produced by the Minister of

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Finance and his department, for this deficit to go over \$39.7 billion. So there is nothing much to be proud to start with.

If we look at the tax revenue estimates, it is clear the Minister of Finance is making the same mistakes as his predecessor. He is still living in the middle 1970s and early 1980s, when tax revenues were growing at the same rate as GDP.

(1755)

For instance, it is expected that every 1 per cent increase in GDP will result in an increase of more than 1 per cent of GDP, that is 1.2 per cent. The Conference Board of Canada has just released a study which says that every time there is a 1 per cent increase in GDP, tax revenues increase by only 0.5 per cent because of the growing impact of the underground economy. This is something the Department of Finance has completely blocked out, which tells me and my fellow members of the Bloc Québécois that these estimates are off to a bad start.

Mr. Speaker, my colleagues and I are also beginning to realize, what the Minister of Finance meant when he talked about broadening the tax base. The Minister of Finance and his government are broadening the tax base by slashing the incomes of the middle class. That is where he wants to broaden the tax base.

A few examples: Over the next three years, by taxing employer contributions to various group life insurance plans, the Minister of Finance plans to get at least \$520 million, one half billion out of middle income workers.

Another instance is when he talks about reducing or altogether eliminating the age credit for retired taxpayers. The Minister of Finance is broadening the tax base at the expense of pensioners and, over the next three years, plans to get almost \$500 million in the process. He says that 75 per cent of pensioners are not affected. But 25 per cent are affected. Do these people deserve this, after having worked all their lives?

There is a third measure which shows the Minister of Finance and his government have no social conscience. Over the next three years, they want to get \$740 million by reducing deductions for entertainment expenses, but according to a study released by Ernst and Young not long ago, about 80 per cent of the people that take advantage of this deduction are not rich taxpayers but middle income taxpayers, mostly self-employed, and even blue collar workers.

I repeat, this government wants to get \$740 million over the next three years, mostly out of the pockets of self-employed and blue collar workers, and that is a disgrace.

These and many other measures are widening the already impressive gap between personal income tax paid by Canadians

and Quebecers and taxes paid by Canadian corporations. When we talk about corporations, we mean the big corporations.

Did we know that individuals in Quebec and Canada are already paying seven times as much income tax as the big corporations? Did we know that 72.5 per cent of the federal tax base consists of revenues from private citizens and 27.5 per cent of revenues from corporations? Twenty-five years ago, it was already twice the tax revenue contributed by corporations. Today, the measures tabled by the Minister of Finance are further broadening this unfair gap between what is paid by private citizens and what is paid by corporations.

With all the posturing on family trusts and tax shelters, why did the Minister of Finance fail to announce in his Budget that he was abolishing the disgraceful system of family trusts and the possibility for large corporations to shelter their money in tax havens like Barbados, for instance?

(1800)

It is almost beyond comprehension that the Minister of Finance would immediately set out to attack middle-income earners through the imposition of specific measures over the next three years, while leaving unscathed wealthy taxpayers and large corporations that did not pay any taxes at all in the late 1980s and that continue to rob the tax system today. This is really rich!

The minister has not deviated from the path he initially embarked upon. Since October 26, his statements about restoring fiscal equity in Canada and in Quebec have been nothing but pious wishes. All he will commit to is consultation and more consultation. It has become his new mantra, almost as powerful as the one he adopted during the election campaign when he spoke of "jobs, jobs, jobs". The thing is, this budget contains no additional job creation measures. On the contrary, the government's tax grab over the next three years will hinder any chance for a lasting recovery and for job creation in Quebec and in Canada. This is unacceptable for a government that has been claiming from the beginning that it is concerned about job creation. I am completely baffled by this, as are my colleagues.

Some hon. members: Oh, oh.

Mr. Loubier: I would ask my colleagues opposite to show us a little respect, just as we show our respect for them every day.

There is something even more shocking about this budget, and I will tell you what it is. With this budget, the Minister of Finance, who in reality controls human resources development in Canada, has just put a straightjacket on the Minister of Human Resources Development. He has accomplished this by committing him to save \$7.5 billion through social program reform over the next three years. Various income security programs will be reformed and outrageous changes will be made to the unemployment insurance system, changes which he criticized the

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previous government for making. In other words, he is saying right from the start to the Minister of Human Resources Development, even before the committee undertakes its work, that savings of \$7.5 billion will have to be realized over the next three years. Is that what the government calls restoring fiscal equity?

Is this what the government calls restoring social justice in Canada? In point of fact, it is attacking those who are most in need, namely the least fortunate, those who are, in large part, victims of the previous government and who are being further victimized by the current government.

The leader of the Bloc Québécois and Leader of the Official Opposition was right. When the government party speaks about reforming social programs and health care programs, what it is really talking about is making cuts. Today, we have irrefutable proof of this.

Middle income taxpayers and senior citizens certainly deserved a tax break, but the Minister of Finance is not giving them one with this budget. What about those who are unemployed and the most disadvantaged? A total of 1.5 million Canadians are out of work. The 437,000 Quebecers who are out of work were expecting genuine job creation initiatives in this budget, not merely stopgap measures such as the infrastructure program which will create 45,000 part-time jobs. They were hoping for real job creation initiatives.

This budget gives us no reason at all to hope. Aside from the nice speeches and nice smiles from the Minister of Finance and his colleagues, there is nothing in this budget to help the 1.2 million Canadians who are currently waiting for social housing and who spend more than 50 per cent of their income on housing. Nice speeches are all well and good, but when the time came to restore \$600 million in funding for social housing, an issue over which they tore a strip off the previous government, their nice words did not translate into concrete action. All we are left with

are nice smiles and nice speeches about social justice in Canada. That is what Quebecers and Canadians hate in politicians. That is why Quebecers and Canadians are cynical towards politicians and political institutions. It is because of a lack of courage, a lack of long-term vision that Quebecers and Canadians are feeling alienated from politicians' promises.

Not only does this budget not include anything that the government should have done, but its spending reduction targets are ridiculous. In the next three years, there will be no spending cuts in nominal terms.

I have the feeling that this government is living on another planet, that it is not aware of Canada's excessive debt, which puts it in first place about everywhere in terms of poor performance. I get the impression that this poor performance and this government are two totally disembodied things.

The Minister of Finance said that we would blame them for not going far enough. We will not blame him for not going far enough, but we will blame him for not doing what he should have done, and that is even more serious.

We will blame him for sparing, once again, the government's rich friends. But Quebecers and Canadians are starting to grasp this government's vision.

I therefore move:

That the debate be now adjourned.

[English]

The Speaker: Pursuant to Standing Order 83(2), the motion is deemed adopted.

(Motion agreed to.)

The Speaker: Consequently, pursuant to Standing Order 83(2), this House stands adjourned until tomorrow at 2 p.m.

(The House adjourned at 6.07 p.m.)

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