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Speaker: The Honourable Gilbert Parent

HOUSE OF COMMONS

Friday, February 17, 1995

The House met at 10 a.m.

Prayers

GOVERNMENT ORDERS

[*English*]

INCOME TAX ACT

Hon. Roy MacLaren (for the Minister of Finance, Lib.) moved that Bill C-59, an act to amend the Income Tax Act and the Income Tax Application Rules, be read the third time and passed.

Mr. Harbance Singh Dhaliwal (Parliamentary Secretary to Minister of Fisheries and Oceans, Lib.): Mr. Speaker, I appreciate the opportunity to begin the third reading debate on Bill C-59, an act to amend the Income Tax Act. Hon. members will recall that C-59 will put into law several measures announced in the 1994 budget.

That budget was a first step in a historic two stage process to bring government finances under control. This is essential if we are to sustain the conditions for continued economic growth, especially easing an important source of pressure on interest rates. The budget set out a concrete interim budget to cut the deficit to 3 per cent of our GNP in three years. It made clear our ultimate goal to eliminate the deficit completely.

But last February's budget did more than establish a target. The previous government had deficit targets galore. Instead, this budget took hard fiscal action to set a real deficit cutting process in motion by reducing spending more than any other budget in a decade.

(1005)

However, given the dimensions of our deficit and debt dilemma, spending cuts alone would not have been enough to meet our target and restore confidence in the fiscal commitment of government. That is why revenue increases were also necessary.

I should also remind my hon. colleagues that for every \$1 in revenue gains, we took \$5 in action to reduce government spending. We did not take the decision to increase revenues

lightly. There is no member of this government who does not recognize the tax fatigue and resentment felt by so many Canadians. That is why our government refused to hike tax rates.

Instead, we felt the better way to raise the necessary revenue was to broaden the tax base and increase fairness within the tax system. This is what Bill C-59 does. In particular, it also makes the corporate tax system fairer and better targets the tax assistance available to certain businesses.

Because C-59 increases the fairness of Canada's tax system in a number of areas, I believe the bill deserves the non-partisan support of all sides of the House. Let me deal briefly with some of the measures in this bill.

Bill C-59 eliminates the \$100,000 lifetime capital gains exemption. This action addresses a growing body of criticism concerning the exemption that it distorts the tax system by totally exempting certain gains while taxing others, that it is essentially of benefit to high income Canadians, and that it makes the tax system more complex.

In 1992 thanks to a wide range of allowable tax deductions and credits, some 12,000 Canadians who earned \$50,000 or more paid no income tax. Of this group, over 4,700 people used their lifetime capital gains deduction to help eliminate their tax payable. These people did nothing wrong, but at a time when most Canadians feel overtaxed there is little tolerance for measures that help well off individuals avoid taxes completely.

Eliminating the exemption will mean a system of taxing capital gains which will be fairer, simpler and more sustainable. I should point out that the exemptions will be withdrawn only for a gains occurring after February 22, 1994, the last budget day.

Another fairer measure in C-59 is the provision to tax the full value of employer paid life insurance premiums. This will improve tax equity. There is simply no justification why employees with employer paid life insurance should receive a tax benefit while self-employed Canadians who have to buy their own life insurance must pay with after tax dollars.

Currently only the portion of coverage over \$25,000 is a taxable benefit. By basing the benefit on the full amount the tax system will be fairer, treating all Canadians equitably. The impact on group plan members will not be harsh. On average, employees under such plans receive about \$125 of benefits a

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year as a result of employers paying insurance premiums for the first \$25,000 of coverage. Under this proposal the combined federal and provincial taxes will increase by some \$30 to \$50 a year and the increase for 1994 will be half of this amount.

In another personal income tax measure, Bill C-59 will subject the age credit to an income test. Canada's debt and the burden of high taxes and interest rates it imposes on all Canadians, including seniors, demands that government spending be both fair and effective. This measure meets that test by ensuring that assistance goes to seniors who need it, but not to those who have annual incomes hitting \$50,000.

(1010)

Under the current tax system all Canadians 65 and over are eligible for the age credit. It delivers a combined federal-provincial tax credit of about \$950 per year. Under this proposed legislation, individuals with net incomes below \$25,921 will retain their full credit. For people with net incomes above the threshold, the credit will be reduced at a rate of 15 per cent of their net incomes exceeding \$25,921 and the threshold will be indexed.

Let me make clear that fully 75 per cent of seniors, which is 2.6 million individuals, will not be affected. Moreover, most of those who will be affected will continue to receive partial benefits. Only 6 per cent of seniors will no longer receive benefits because their income exceeds \$49,134, the threshold at which benefits are exhausted.

I should also point out that the reduction will be phased in over two years. For 1994 the reduction will be one-half of the amount otherwise determined. As well, the age credit will remain transferable to a spouse.

A further measure in C-59 extends on an ongoing basis a program that has become an important part of our social infrastructure, the RRSP based homebuyers plan. First time homebuyers can withdraw up to \$20,000 tax free from their own RRSPs and repay the money over 15 years. By last February about 234,000 people had already participated in the plan with an additional 30,000 participants expected each year.

Moving on, Canadians will be encouraged to give more to charities because Bill C-59 enhances the charitable tax credit. It used to be that taxpayers gained 17 per cent on the first \$250 of their total charitable donations and 29 per cent on the remaining donations. Now the threshold for the higher credit rate will be \$200, not \$250. The fact that individuals will now receive a greater benefit when they give more than \$200 in a year will further encourage charitable giving.

I would now like to remind the House of the measures in C-59 relating to the corporate sector. There is a perception among

many Canadians that businesses receive preferential tax treatment compared to individual taxpayers.

The fact is often overlooked that businesses, while paying corporate income tax, must also pay many other taxes such as provincial corporate income taxes, capital and insurance premium taxes, payroll levies and municipal property taxes. In fact, the total corporate tax bill last year was about \$44 billion. However, Bill C-59 does take steps to reduce deductions and eliminate some existing loopholes.

For example, the tax deduction for eligible business meals and entertainment expenses is reduced from 80 per cent to 50 per cent. All businesses large and small will now pay an appropriate share of tax, making the tax system fair.

The element of personal consumption will also be better reflected in these expenses. This measure is consistent with business meals and entertainment expense deductions in Ontario, Quebec and the United States. It will apply to expenses incurred after February 21, 1994.

Another measure in C-59 restricts the use of certain tax shelters where investors in partnership could claim tax deductible losses and/or receive cash contributions which actually exceed the cost of their investment. The amount of losses that may be flowed out to an investor will now be restricted. This will help to limit the erosion of the tax base, ensuring that business pays a fair share in the national deficit battle. As well, to prevent further erosion of the tax base, the use of the purchase butterfly tax avoidance technique will be curtailed.

(1015)

The Income Tax Act allows for corporate property to be divided pro rata among its shareholders on a tax deferred basis. This helps in dividing up a corporation so that shareholders can carry on separately the corporation's business.

Unfortunately the rules have been used to avoid or defer tax on the sale of corporate assets. As a result the government introduced rules in May 1993 restricting cross-border purchase butterfly transactions. Bill C-59 extends these rules to all purchase butterflies. The tax advantage of structuring a corporate asset sale for this purchase will no longer exist.

The next measure I want to discuss is the elimination or reduction of the regional investment tax credit, known as ITC. It has become evident that regional ITCs are not a cost effective means of attracting incremental investments, nor do they help to reduce economic disparity. Bill C-59 eliminates a special investment tax credit and the regional component of the scientific research and experimental development tax credit. The Atlantic investment tax credit rate will be reduced from 15 per cent to 10 per cent.

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While these changes will come into effect after 1994 they will not apply to property acquired after 1994 that relates to a project which was under construction before the last budget date, nor will they apply to property acquired at any time under a written agreement entered into before the budget date.

Another fair tax measure in Bill C-59 makes large private corporations ineligible for the small business deduction. Relief will be targeted where it is intended, just to small business. The small business deduction lowers the tax rate, thereby providing small corporations with more after tax income for reinvestment and expansion.

However, under the current rules some very large corporations are obtaining this benefit. Large corporations with taxable capital of \$15 million or more will no longer be eligible for the small business deduction. As well, the rule changes will reduce the deduction for corporations having taxable capital of between \$10 million and \$15 million.

The last measure in Bill C-59 that I want to discuss allows for a deduction for contributions into government mandated mine reclamation trust funds in the year in which they are made. Under the current income tax rules mine reclamation expenses are deductible only in the year in which they are incurred. This addresses the concerns of Canada's mining industry.

In conclusion, Bill C-59 takes progressive measures to broaden the tax base for fiscal renewal and to improve the fairness and efficiency of the tax system. Those are goals that we can all accept and this legislation deserves the full support of the House.

[*Translation*]

Mr. André Caron (Jonquière, BQ): Mr. Speaker, I welcome this opportunity to speak on behalf of the Bloc Québécois to the income tax bill before the House today. This legislation implements measures announced by the minister in his budget on February 22, 1994, almost a year ago.

The Bloc Québécois was opposed to the bill on second reading and in committee, and its position has not changed. Granted, we did find a number of positive measures in the bill. These include, for instance, the decision to extend provisions allowing first-time homebuyers to use their RRSP funds; measures to increase the value of the charitable donations tax credit; and incentives for mining companies to engage in mine reclamation, although at this level, the government is not exactly applying the principle "the polluter pays".

(1020)

The Bloc also welcomed the proposal to reduce the percentage of meal expenses recognized for tax purposes from 80 per cent to 50 per cent. As you know, companies may deduct meals as part of the cost of doing business, and reducing the percentage of

such expenses from 80 per cent to 50 per cent is at least a first step. These are some of the positive aspects we see in the bill, but there are negative aspects the Bloc cannot accept.

This morning, I will focus on three specific points. The first one is the reduction in value of the age tax credit; the second concerns the reduction or elimination of tax credits for regional investment; and the third concerns the inadequacy of measures aimed at curtailing certain tax avoidance techniques.

As far as the age tax credit is concerned, the Bloc Québécois presented an amendment that was defeated in the House, an amendment rejecting a provision in the bill that reduces the value of the age tax credit for persons 65 and over. The reduction concerns people with net incomes between \$25,000 and \$50,000. The age tax credit for these people will be reduced. For some people these amounts mean a lot, since it works out to a federal tax reduction of \$610, while at the provincial level, it adds up to \$950. That is a substantial reduction.

Of course, our friends across the way told us this would not affect seniors in need, those with an income of \$25,000 or less. In fact, this hits the middle class. Once again, the government is hitting the middle class, and that is why the Bloc Québécois objects to this provision.

So who is affected? People who worked all their lives and accumulated a pension fund and did everything they could to provide for decent incomes for their retirement. These people had a deduction. It was a form of recognition. It was like saying: You are people who helped to build Canada or Quebec, people who worked all their lives to enjoy decent incomes for their retirement. They were entitled to a tax credit of \$3,482, and 17 per cent of that worked out to the amounts I mentioned earlier. As a result of the bill before the House today, this tax credit will be eliminated.

Certainly, in the case of people with incomes of perhaps \$60,000, \$70,000 or \$80,000, we could understand abolishing the tax credit. However, in the case of people earning \$28,000, \$30,000, or \$35,000, we do not believe it is right to reduce the benefits they enjoyed under the old legislation. Certainly the government is saving money with this measure. It is expected to save \$170 million in 1995-96, but this is \$170 million once again saved on the backs of the middle class. At some point, the Canadian middle class will have had enough of always paying taxes and not always getting the necessary benefit or the necessary recognition from society.

As we have already spoken at length on this matter, I am going now to deal primarily, in the second part of my remarks, with the disappearance of the regional investment tax credit. You know that Canada used to offer benefits in the form of tax credits to people who invested in certain parts of the country, primarily the Atlantic provinces, the Gaspé Peninsula, and certain northern regions.

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There was a special investment tax credit. It was a 30 per cent tax credit for eligible investments in machinery, buildings, and new equipment for manufacturing and production purposes. This tax credit has been eliminated. Another tax credit is also affected. It is the Atlantic/Gaspé tax credit. It was a tax credit of 15 per cent, again for buildings, machinery, and equipment to be used in resource development. This tax credit has been reduced from 15 per cent to 10 per cent. The third tax credit affected is the scientific research and experimental development investment tax credit. It is a 30 per cent tax credit, again in the Atlantic region and the Gaspé, and has been reduced to 20 per cent, the level for all the other regions. This means that the Atlantic region and the Gaspé have lost the benefits they enjoyed under the last budget.

(1025)

These measures affecting tax credits will mean a saving of \$90 million for the government in 1995-96 and of \$95 million in 1996-97. The most ironic part of all of this is the reason given by the finance minister in his budget plan of last February and in the budget document entitled "Tax measures: Supplementary Information". His budget plan indicates, and I quote, "These credits have not been effective in attracting new investments to designated regions or reducing economic disparity". The document entitled "Supplementary Information" states in regard to the budget: "Regional investment tax credits have not generally been considered to be cost effective".

Basically, it says that these tax credits did not have a very high level of effectiveness and are not an effective means of attracting investments. So we would have expected the minister to completely eliminate these tax credits because they are not effective, but this has not happened. One tax credit has been eliminated, the tax credit for investment in the Atlantic region, and the tax credit for investment in scientific research has simply been reduced. In other words, the minister admits that he will still offer tax credits in certain regions of Canada. The minister is aware of their lack of effectiveness, but goes ahead all the same.

The Bloc Québécois has denounced this measure and has asked that moneys earmarked for regional investment be redistributed to the provinces instead as a tax percentage. Why? It is because in Quebec, we think that decision making and regional investments should be decentralized so that local decision makers and people in the regions can identify their needs and take measures suited to their regions.

The Canadian government does not do this. It refused to redistribute these amounts among the provinces and maintained national standards, giving the credit to everyone while admitting that all this is inefficient. This is yet another illustration of the Canadian problem, that is, putting everyone, every citizen

and every province on the same footing and ensuring uniform distribution everywhere before realizing that this is very costly and inefficient but continuing to do so anyway. One does not have to look very far to see that this is the reason why Canada does not work.

The third reason why we oppose this bill is the measures designed to counteract some tax avoidance strategies. This bill proposes measures to ensure that some individuals and corporations can no longer avoid taxes. These measures are quite timid. There are measures intended to eliminate preferential tax rates for large corporations, to make corporate taxes more equitable, to provide special rules for taxing foreign corporation shareholders.

Looking at all this, we ask ourselves are they trying to catch those who do not pay taxes in Canada, who establish phoney companies abroad and who, through various tax schemes, manage to avoid taxes. Reading this, we might think that such is the case, but we would be mistaken. These measures do not affect family trusts or the use of tax havens and are not designed in any way to institute a minimum corporate tax.

A lot has been said about family trusts. What are they exactly? A family trust is a tax measure allowing great wealthy families to avoid paying taxes on capital gains on assets.

(1030)

It is money on which no taxes are collected because it was put in a trust. And this remains the case for a long time. An amendment to that provision was proposed in 1992 by the Conservative government. Under that legislation, the money in a trust was exempt from taxes until the death of the last beneficiary of that trust. In some cases, that could take up to 80 years.

The Bloc Québécois pledged to fight for the elimination of that provision, which allows tax avoidance. We discussed the issue at length in this House. We do not see, in the current budget, any step to abolish that tax loophole.

We are talking about hundreds of millions every year. We do not know exactly how much money is involved. To find that out, we would need a special bill to allow Revenue Canada officials to tell us exactly how much money is involved. What is the government waiting for to pass such legislation and to abolish that provision in the Income Tax Act?

Let us now look at tax havens. We have an idea of what goes on. The auditor general raised that issue in 1992. This is not a figment of the imagination of a demagogic opposition party. The auditor general himself told us that several major Canadian corporations somehow manage to avoid paying taxes in Canada. The losses in tax revenues are said to be in the hundreds of millions.

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We know the process. Some companies establish or use subsidiaries in countries where tax rates are much lower than in Canada. They can do so because Canada signed tax conventions to avoid double taxation for corporations and individuals conducting business in those countries.

The auditor general is strongly opposed to such tax treaties. Currently, 16 such conventions are said to be in effect. There is nothing wrong with these countries, but we wonder why Canada signed such treaties, if not to promote the self-interests of people who want to avoid the payment of taxes. These countries include Cyprus, Malta and Papua New Guinea. It is not a foregone conclusion that Canada's trade with these countries justifies the signing of such conventions, but these treaties were concluded.

The auditor general also denounced another more subtle process. Some companies can deduct, from their payable taxes, the interest on loans contracted in Canada for foreign investment purposes. In other words, Revenue Canada is financing investments abroad. This is unbelievable.

Another provision regarding tax havens that must be revisited is tax avoidance. In 1992 the auditor general again asked the government to amend the act to prevent Canadian companies with subsidiaries abroad from using these subsidiaries' annual losses to reduce their taxable income in Canada. They lose money outside of Canada and can deduct these losses in Canada.

How could a Canadian company or a multinational that is in the slightest way on the ball not be tempted to create bogus companies outside of the country? How can these companies resist the temptation to reduce their Canadian taxes, to make foreign investments and to claim a deduction for the interest on those investments? It is an open invitation that the Bloc Quebecois decries. The Bloc denounces such things and would like to see all countries treated equally.

The Bloc Quebecois calls for an end to flags of convenience, to freebies for big business that allow them to avoid paying tax. Many large businesses pay no taxes. Indeed, a Liberal member, the member for Gander—Grand Falls, told us last October that according to his research, 77 companies with over \$25 million in profits did not pay any tax in Canada.

They do not pay any tax because they can make deductions, they can make money out of the country, they can search for deductions. What do you think people over 65 years of age who earn \$30,000 and are seeing their age credit taken from them have to say when they see big multinationals and prosperous companies that turn a profit get away without paying any tax?

(1035)

They say that honest taxpayers are being picked on again, and that those with means, who are rich, who can make representations and can lobby have access to provisions in income tax laws

which allow them to avoid paying their fair share. The Bloc will not stand for this.

I would like to add, before closing, not to take advantage of your kindness, that the budget and perhaps this bill should have contained other measures regarding the whole issue of business subsidies.

Everybody tells us that their economic effectiveness is debatable. The Bloc Quebecois has demanded that a good part of these business subsidies, which amount to approximately \$3.3 billion in Canada, be cut. We asked for a reduction in defence spending totalling \$3.2 billion over two years. We asked the government to stop investing in the Hibernia group in Newfoundland. We asked for a real minimum tax on the profits of large corporations, because the strategy of these corporations is to reduce their profits for the current fiscal year by subtracting any losses they may have incurred in previous years, so they do not have to pay taxes on those profits.

In fact, we asked Revenue Canada to do what it has to do to get the \$6.6 billion owed to the federal treasury. The auditor general said in his report that a large percentage of this money could be recovered. In other words, before reducing the incomes of senior citizens and cutting social programs, the government should go out and get the money owed to the treasury. To put it bluntly, that is part of the mandate of the Minister of National Revenue.

For all these reasons, the Bloc Quebecois will vote against Bill C-59, because it contains measures that are inadequate and do not deal with the real problems of tax collection in Canada.

[English]

Mr. Ray Speaker (Lethbridge, Ref.): Mr. Speaker, thank you for this opportunity to speak on Bill C-59.

Bill C-59 is sort of a remnant, a leftover or a bad memory about the last budget that was brought into this House, the 1994-95 budget, a most disgusting type of document that was ever presented to Canadians. It was a document that was not prepared, not thought through and had nothing to do with the real economy of this country. That is one of the disgusting things that I think about this morning.

The other disgusting thing that I think about is the fact that the Liberal members, many of them who sit in the front row today, sat for eight years on this side of the House and never prepared themselves for government. The reason that a party is in the official opposition is that it prepares itself to be the government. They did not do that. For eight years the Liberals played politics, surface politics. They tried to think about how they could go on a power trip or manipulate the government to get back into power and sit on the front benches on that side.

By accident the Liberals did. By accident they became the government. When they became government they did not have any plans. They did not know why they were government. They

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were like a dog that caught a car and did not know what to do with it, that traditional, proverbial story.

The Liberals talk about the fact that they put out a red book. The fact of the matter is that red book has so many generalities and political statements that are out of date and meaningless today that it is like the ostrich that has his head in the sand and does not look around at the true reality of life at a point in time. They stand up over and over again and say to us as Canadians that the red book states they are going to do this. They cannot bring themselves beyond the red book to try to create another idea or to recognize that the economy of Canada is something different than it was four or five years ago when the red book was written.

The minister of defence should certainly think about some of these things and take his responsibility when these kinds of things are before the House.

(1040)

Here before us we have Bill C-59 which talks about tax increases. Most likely these were designed in the red book as well. Three or four years before they were introduced nobody looked at whether they were contemporary in nature or not or fit the circumstances. They do not.

Today in the 1994-95 budget there should not have been any increases in taxes or a greater imposition on the business community of this country which Bill C-59 does. It is the most disgusting thing that I have ever seen.

Here today we hear this ghost of the 1994-95 budget being brought into this House, the ghost that is going to haunt us as Canadians.

What has been the result of that kind of planning and that kind of responsibility that this Liberal Party has taken? What is the response? Yesterday we had the response to Canadians by Moody's from New York. It made a political interception into the economy of Canada and said very clearly to Canadians, said very clearly to the Minister of Finance, said very clearly to the Prime Minister they are going to bring forward a budget in 1995-96 that is absolutely inadequate and that Moody's is going to lower the credit rating of this country from an AAA to an AA.

This government is thinking five years ago about things it did five years ago. This government does not recognize that you cannot tax people more in this country. This government does not recognize that this target of 3 per cent that was set out in the red book is not a realistic figure in terms of the economy today. It is a political target that was set up by this government three or four years ago to move into an election. It cannot understand the stupidity of that projection at that time is only more stupid today. It is unrealistic in terms of this economy and the needs of this economy.

The government does not understand. The Liberal Party does not understand. The Prime Minister and Minister of Finance, who are key to where we go in Canada, key to our economic stability, key to job growth, key to economic growth, are blind to the facts of the current circumstances. They do not realize that they have to sit down with their colleagues in caucus and say that this liberal approach to government, this kind of soft, fuzzy decision making has to stop. They have to recognize that they have to eliminate the deficit in the next three or four years. They must do it within the term of this Parliament. They must say it in the 1995-96 budget that is going to come before us in about a month.

They have to say that to Canadians. They have to say that to the investment community. If they do not, what is going to happen? Yesterday was the best signal this government could ever have. The government has time to revise its plans. It was given a signal loud and clear. It has to come up with a plan to balance its budget, to bring the deficit to zero within the term of this Parliament. The dollar lowered yesterday some 47 points. We saw it lower again this morning. We saw the bonds affected significantly. We are going to see interest rates going up. They have already. We know what interests rates do to the cost of government.

Many of us have said this in this House and I feel it is a very reliable figure. Every 1 per cent increase in interest rates over a period of a year costs \$7 billion to this government and to us as Canadians. If we compound the interest into the second year it is something like \$2.3 billion with that 1 per cent interest rate. In the third year that 1 per cent interest rate means something like \$3.5 billion. Government members do not understand that. They were given a shock treatment yesterday that should have provided them with the best advice or the best favour ever. However what did they do? They do not listen.

(1045)

As the Minister of Finance and the Prime Minister stand in question period today they will say they are going to hit their target in two years. Who cares? The target is stupid. The target is out of gear. The target is not even realistic. It is the most unrealistic thing I have ever heard in terms of today's economies.

Moody's is telling the government that its target is out of gear and inadequate. It is reported in the press. If all these people who read the paper in the morning to get their political advice read the *Financial Post* or the *Globe and Mail* this morning, they would have received some good advice on the implications of what the Liberals are doing or how they are acting.

I hope the government takes some time to listen. I hope it will revise some of these fuzzy liberal expenditure reductions that we will hear about at the end of the month. I hope it will reconsider some of the taxes to be imposed.

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As I listen to members, not only in the House but in interviews through the various media, I hear that the Liberals are going to put a tax on lotteries. They are going to tax greater the corporate sector. I am sure they will put a surtax on all Canadians to pay for their bad management and the fact that they cannot reduce expenditures in the country quickly.

They are setting up Canadians in the sense that they are misinforming Canadians. They are telling Canadians that if they reduce the size of government, lay off employees, pay them severances and so on, they will not be able to bring the budget down quickly. They are creating this image. They are saying that they cannot bring it down quickly in the first two years so they will put a surtax on us. It just does not work that way.

If expenditure reduction is done in the right way and some grant programs and the overhead in some departments are cut and employees are released as quickly as possible, there will be an expenditure reduction.

All we have to do is look at what happened in Alberta. There was a direct relationship between the reduction in the size of government and the reduction in expenditures. The fallacy that is being created that we will need a surtax on an interim basis is a bunch of hogwash and I hope Canadians do not accept it. They will react to that kind of thing.

The Liberals talk about other taxes such as an inheritance tax. There are a few people in Canada who worked hard and saved money, and they want to take from their pockets as well. They also talk about the RRSPs. People know that the Canada pension plan will not be sustainable under current circumstances. What are they going to do there? I am sure it is part of the upcoming budget. They will reduce the level and the amount of RRSPs middle income people can put away for their future retirement.

The Liberal government is still living with its head in the sand. It is living a the period of time about five years ago when the red book was written. It has not adjusted to today. It is still living this old traditional approach to politics, that is to tax the people and not cut the money spent on inefficient and ineffective social programs that have failed.

I have had the fortunate opportunity to have been in politics for about 30 years. I observed in my early days that people were more self-reliant. I recognize that this liberal attitude has caused us to spend billions of dollars on what we thought were social problems. Everybody in Canada were to be perfect individuals. It has failed. Unemployment is greater. There are more people on social programs, unemployment insurance and public assistance today. There are three million Canadians on public assistance. If that is a success story then we should spend more money and improve it some way or another. However that

is not the way it is done. Those social programs have failed but members of the government want to carry on because they think that is the approach to making Canadians perfect.

(1050)

It is like their support for the CBC. I hear from some of them that the CBC has to continue its rate of expenditure because it creates the culture of Canada. That is the dumbest thing I have ever heard.

Bill C-59 is a glimpse of the inadequacy of the government. It is a glimpse of what is to come: more taxation in the 1995-96 budget because they want to take from the rich and supposedly give to the poor. That is the philosophy but I do not know who is on either end today.

It also indicates a soft fuzzy approach to expenditure reduction to eliminate the deficit. Many of my colleagues have asked over and over again in the House what will happen after two years when we still have a \$25 billion deficit. There most likely will be a downturn in the economy that could immediately put pressure on government borrowing and push our deficit again up to \$40 billion or \$50 billion. It will be out of control. We have a window at this time and the government does not recognize that it is there.

Government members blame the debt on the Conservatives. They say that the Conservatives did it. They have to remember that Mr. Chrétien, Mr. Trudeau and others left \$170 billion of debt. Certainly the Conservatives boosted that up to \$500 billion. Now it is at \$550 billion. In two years it will be \$600 billion with a \$50 billion interest payment being made. Where are social programs then?

We do not support Bill C-59 and the government has to wake up and be realistic about its responsibility. It is unfortunate that we have to sit here for another three years with a majority government. It is going to be an unfortunate circumstance for Canadians.

I urge everybody in the House to vote against Bill C-59.

The Deputy Speaker: The Chair would ask the hon. member for Lethbridge not to refer to sitting members of the House or ministers by their proper names. As he knows we are expected to refer to their ministries and so on.

Mr. Nelson Riis (Kamloops, NDP): Mr. Speaker, I listened to my hon. friend, the member who spoke on behalf of the Reform Party on Bill C-59. I must say I always appreciate his comments. I agree with hardly any of them but I nevertheless appreciate them. He always presents them in a thoughtful and articulate way.

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One point perplexed me about his comments. Canada is one of the very few countries of the OECD that does not have an inheritance tax; people inheriting \$10 million or \$20 million are not required to pay any tax.

An hon. member: That is good.

Mr. Riis: I hear my friend in the Reform Party saying that is good. They say that it is good, that people should inherit vast amounts of money and pay no tax.

They support the notion that on income received from capital gains tax is paid on only 75 per cent. They say that is good. They say that certain people, particularly the wealthy people of the country, should get as much as possible. They say that is good because they work hard for it. That implies that other people do not work hard for their money.

Why is it that Reformers feel average working people produce the most if their wages are low and they are hungry? Why do they feel if we pay them very poorly they will be out there working hard? Why do they feel the way to get working people to work is to pay them as little as possible? However, they feel that the way to get wealthy people working is to pay them the most possible.

Is there not some inconsistency in the logic of rewarding the wealthy so they will work but keep the wages of the poor and average working person as low as possible to encourage them to work? To me there is a bit of inconsistency in the argument of my friends in the Reform Party.

(1055)

Today we are talking about Bill C-59. The speaker for the government went on at some length about how it was an effort to make the tax system fairer. It might be a slight baby step in that direction.

Let us take the whole issue of escort services. No one here knows anything about escort services, but if we look in the telephone book there are a number of pages listing escort services. It is interesting that our tax system says that escort services are tax deductible. I guess with some people it is a cost of doing business. I am not sure what escorts cost, but whatever the bill is it can be submitted as part of a tax return. It is called a cost of conducting business.

When the question was recently put to national revenue officials, they said they have to change it, it is getting a little questionable in terms of a legitimate tax deduction. However if the escort service is called a bodyguard or a tour guide it is acceptable. We have some interesting concepts here in terms of what a bodyguard or a tour guide might imply.

Nevertheless the reality is that simply by using a little creative commenting on an income tax return, escort services and entertainment of that type will be tax deductions. Is this reasonable? Is this acceptable to the people of Canada? My suspicion is that it is not.

My hon. friend talked about the business tax deduction moving from 80 per cent to 50 per cent. Should we not distinguish between various kinds of business costs? I do not think anybody here would argue that business people getting together over a dinner, lunch or breakfast to discuss a transaction or a business arrangement is a legitimate cost of doing business.

However, as I said earlier, is an escort service deduction a legitimate cost? Is the annual fee for a box in a sports stadium a legitimate cost of doing business? Is purchasing a yacht to entertain clients a legitimate cost of doing business? Is choosing the Bali Hilton or the Waikiki Hilton as the place for an annual meeting a legitimate cost of conducting a business?

I know a number of people who own large boats, sailboats, launches and racing boats. They are business tax deductions and are used for entertaining clients.

Is a hunting lodge or a fishing camp a legitimate business deduction? I suppose we could say in some cases it is, but enough is enough. My hon. friend stands and tries to say that part of the changes to the Income Tax Act will be to bring fairness back into the system by removing the deduction—

The Acting Speaker (Mr. Kilger): It being 11 a.m., pursuant to Standing Order 30 (5), the House will now proceed to Statements by Members pursuant to Standing Order 31.

STATEMENTS BY MEMBERS

[*Translation*]

CANADIAN FEDERALISM

Mr. Ted McWhinney (Vancouver Quadra, Lib.): Mr. Speaker, Monday's three by-elections confirmed Canadians' continued faith in our federal system of government and in its ability to adjust to new problems in Canadian society, problems hardly dreamed of or imagined by those who established Canada's constitution.

Canadian federalism has never been an abstract and inflexible charter carved in stone in 1867. It is a dynamic process of constitutional creation. It involves balancing differing social interests in a spirit of pragmatism and cooperation. It is a new federalism, a living, highly efficient and cooperative one.

* * *

REFERENDUM ON QUEBEC SOVEREIGNTY

Mr. Maurice Godin (Châteauguay, BQ): Mr. Speaker, on March 13, 1865, a majority in the Parliament of the Province of Canada voted against holding a referendum on confederation. The proposed referendum was defeated by a vote of 83 to 35.

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Canada was therefore born out of a bill adopted by a simple majority.

The people of Canada had no say in this process, because a simple vote in the House was deemed sufficient to legitimize the process.

Unlike the act establishing Canada, the draft bill declaring Quebec's sovereignty will not come into effect without the support of the people of Quebec expressed in a referendum.

To all those Canadians with lofty democratic ideals, who consider a vote of 50 per cent plus one insufficient to legitimize the choice of Quebecers, I would suggest another look at their Canadian history books.

* * *

[English]

GUN CONTROL

Mr. Philip Mayfield (Cariboo—Chilcotin, Ref.): Mr. Speaker, since January 1 of this year I have received over 700 letters and 60 petitions from my constituents in Cariboo—Chilcotin rightly protesting the government's intention to introduce new firearms legislation. I would like to quote from one letter:

Ignorance is the cause of fear and the fear of firearms now is caused by a general lack of understanding of what a gun is, how it functions and how extensive our existing gun laws currently are. If the public understood what an honest citizen must currently go through to legally acquire a firearm, they would realize that the new gun control legislation is nothing more than an expensive publicity campaign designed to appear as if the government is fighting crime. We, the people, need education about firearms, not gun laws that attack honest gun owners and leave the criminals at the status quo.

I agree with my constituents. We do not need any more firearms legislation.

* * *

[Translation]

MEMBER FOR LONGUEUIL

Mr. Paul DeVillers (Simcoe North, Lib.): Mr. Speaker, on Tuesday the hon. member for Longueuil asserted in the House that it is ridiculous to think that Canada ranks among the best countries in the world in respect of standard of living because, according to him, Canada is considered to be like a Third World country because of the size of its debt. He even claimed that we were trying to deceive people.

The comparison made by the Bloc Quebecois member is crude and his reasoning very unsound. Here are the facts. The UN world report on human development for 1992 and 1994 ranks Canada as the best country in which to live.

The only ones trying to deceive people, and in particular the population of Quebec, are the Bloc Quebecois members. It is very easy to be a separatist if the effect of the worst scenario they can imagine, that is losing the referendum, would be for them to continue living in the best country in the world.

* * *

[English]

TRADE

Mr. Wayne Easter (Malpeque, Lib.): Mr. Speaker, on February 2 the United States formally notified the federal government that it considers our move toward tariffication of supply managed commodities to be a violation of the NAFTA.

Let me state clearly that our tariffication is what was agreed to at the GATT, including by the Americans. In reality our good neighbour to the south is playing big bully games against the very principles agreed to at the GATT.

On February 14 the Minister of International Trade made it clear he will not make any concessions to the Americans on this issue. I support that position. This government cannot make any concessions on the supply managed commodities. Our legal position is sound and the GATT takes precedence over the NAFTA.

I would expect, therefore, that consultations with the Americans will be short and the message will be clear: no concessions on the tariff issue.

* * *

PROJECT READ

Mr. Jesse Flis (Parkdale—High Park, Lib.): Mr. Speaker, it has already been five years since the United Nations designated 1990 as the international year of literacy. It is the UN's goal to liberate nearly a quarter of the world's population from the bonds of illiteracy by the year 2000 and much of this work starts at home.

It is estimated that 1.2 million adults in Ontario are functionally illiterate. In my own riding of Parkdale—High Park, librarian Rita Cox and the Parkdale Project Read are beating the odds. Just ask two of Project Read's recent graduates, Jerry Lee Miller and Ed Anable. They are individual success stories and are shining examples that together we can break the cycle of illiteracy.

I congratulate the minister responsible for literacy for doing an excellent job in this field.

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(1105)

[Translation]

FRANCOPHONES OUTSIDE QUEBEC

Mr. Jean H. Leroux (Shefford, BQ): Mr. Speaker, in a study made public yesterday, the Commissioner of Official Languages said that francophone and Acadian communities in Canada have good cause to complain.

Bilingualism in federal institutions has been a dismal failure, in spite of the Official Languages Act which was passed 25 years ago.

How can one explain that, in spite of the already very limited number of federal offices outside of Quebec which are designated bilingual, 28 per cent of them still do not provide services in French? In all other offices, even though they are designated bilingual, francophones have to kick up a fuss to be served in their language.

In view of the worrisome rate of assimilation of francophones outside Quebec, what precisely is the government waiting for to assume its responsibilities and to respect the most fundamental rights of the francophone minority?

* * *

[English]

CANADA COUNCIL

Mr. Ed Harper (Simcoe Centre, Ref.): Mr. Speaker, I received a card from the Canada Council last week, as did all MPs. It asked me to imagine Canada without musicians, painters, writers and other artists. The card implies that without the council Canada will lack culture and imagination.

Well I have news for the Canada Council. Canadians have culture and imagination in spite of the Canada Council. Works like those of the Group of Seven that are now hanging in our National Gallery were examples of Canadian culture and imagination long before the Canada Council was ever conceived. No grants were needed to create these masterpieces and many of today's artists work grant free.

Why not imagine a country with a balanced budget, a healthy economy, a workplace free from government interference? Speaking of balanced budgets, the debt clock this week passed \$550 billion. Shame, shame.

* * *

RANDOM ACTS OF KINDNESS

Ms. Hedy Fry (Vancouver Centre, Lib.): Mr. Speaker, did you know that today is the last day for random acts of kindness week?

Ten years ago author Anne Herbert scribbled a phrase on her paper placemat: "Practise random kindness and acts of sense-

less beauty". Since then her message has become the slogan for people who believe in their ability to make the world a better place.

This week then is an opportunity for Canadians to surprise their fellow citizens with unselfish resplendent acts.

In these times of economic disparity it is important to bring to the attention of this House and to all Canadians that a kindness movement is sweeping through North America. As the movement's organizers state, this week provides a common focus for all Canadians who believe that a little kindness goes a long way and that the greatest gift we can share with one another is our spirit of hope and optimism.

Although the week is coming to a close, I would like to wish all of my colleagues a day, a session and a year filled with random kindness and acts of senseless beauty.

* * *

CANADIAN CENTRE FOR GLOBAL SECURITY

Hon. Warren Allmand (Notre-Dame-de-Grâce, Lib.): Mr. Speaker, in January the Canadian Centre for Global Security announced that it would be shutting down as a result of the federal government's decision to terminate its funding.

For 12 years this centre provided independent and non-partisan policy advice on a wide range of strategic issues. Among them was the centre's work on the nuclear non-proliferation treaty and peacekeeping reform.

By terminating its funding, the government has closed one of the last independent centres of this type in Canada. This is of further concern given that we are now celebrating the 50th anniversary of the United Nations and the world is still plagued by war, instability and injustice.

In opposition we were outraged when the previous government shut down the Canadian Centre for International Peace and Security in 1992.

I am extremely concerned that this decision will send a negative message with respect to Canada's commitment to peacemaking, peacekeeping and arms control. I ask the government to reconsider.

* * *

GUELPH STORM HOCKEY TEAM

Mrs. Brenda Chamberlain (Guelph—Wellington, Lib.): Mr. Speaker, on February 2 the Guelph Storm became the first Ontario Hockey League team to secure a play-off berth.

The Storm has enjoyed a very successful year and is currently fighting Sudbury for first place in the central division. It is in a tight race with six other teams for first place overall.

Coach Craig Hartsburg deserves much of the credit for the team's success, along with every Storm player. Coach Hartsburg stresses the philosophy of team work both on and off the ice.

Guelph—Wellington fans look forward to the remaining games in the chase for the Memorial Cup. Like everything else we do, our hockey team has proven that Guelph—Wellington takes its opponents by storm.

* * *

(1110)

[Translation]

1980 REFERENDUM

Mr. Roger Pomerleau (Anjou—Rivière-des-Prairies, BQ): Mr. Speaker, the Prime Minister's peculiar sense of humour reached unexpected cynical heights when he said yesterday in the House that Quebecers liked Mr. Trudeau's speech so much that they voted no in the 1980 referendum.

How could the Prime Minister say such a thing and really believe it? Between you and me, the Prime Minister certainly could not have been serious. He has undoubtedly forgotten the famous promise: "We are putting our seats on the line to bring about change; a no in the referendum will mean a yes to renewed federalism".

Quebecers remember that this promise was broken, and, for this reason, have elected few Liberal members of Parliament since 1984. The Prime Minister has once again demonstrated in the House that he has absolutely no understanding of the hopes and motivations of Quebecers.

* * *

[English]

GOVERNMENT BACKBENCHERS

Mr. Chuck Strahl (Fraser Valley East, Ref.): Mr. Speaker, every day in the House of Commons we are forced to witness a humiliating spectacle as government backbenchers rise to ask their own ministers the easy questions.

My heart goes out to these members as they perform their odious duty. I wonder what fears must cross their minds. What if they refuse? What if they make a mistake? What if the minister eager for the planted question misplaces his briefing notes?

It is refreshing that one backbencher, the member for York South—Weston, refuses to advise the front bench of his questions in advance. It is unfortunate that more Liberal backbenchers fail to place the interest of their constituents ahead of the party line.

Have pity for the lowly backbenchers today as they rise to lob beachballs at their political bosses. Pardon the ministers who

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make a sham out of question period by delivering speeches dressed up as answers. But most of all, pity the listening public which graciously endures the public daily humiliation of members who wish they could just say no.

* * *

LITERACY

Mr. Bill Graham (Rosedale, Lib.): Mr. Speaker, this is literacy week in Canada.

The ability to read and write empowers people. It enables them to improve their position in an increasingly complex economy, to avail themselves of their rights and fulfil their duties in our country with its democratic privileges and responsibilities and to better understand themselves and the world around them.

[Translation]

Literacy is an essential element of every modern society and we can be proud of the fact that this government has named a minister responsible for literacy and has established a secretariat with the mandate of eliminating illiteracy nationwide.

[English]

Personally, I am very proud of Frontier College located in my Toronto riding and the leadership it provides in this field. It and other institutions like it and thousands of volunteers work on literacy programs that make an important contribution to our society.

If not addressed, illiteracy has heavy costs for Canada and for those individuals who struggle with the problem every day of their lives.

* * *

THE ECONOMY

Mr. Murray Calder (Wellington—Grey—Dufferin—Simcoe, Lib.): Mr. Speaker, I rise in the House today to indicate my outrage that Moody's bond rating agency would place Canada's credit rating under review only two weeks before the federal budget comes down. Why did it not just place a horse's head in the Minister of Finance's bed?

We recognize that strong fiscal action is required. We are determined to meet our financial targets stated in the red book. Our deficit reduction target of 3 per cent of GDP is only an interim target while our long term goal is to eliminate the deficit in its entirety.

Canada's inflation is the lowest in the G-7. Our export growth is strong. StatsCanada's composite leading indicator grew by .6 per cent in January and wage settlements only grew by .3 per cent in 1994.

I think it is Moody's that should be watched.

*Oral Questions***CHILD POVERTY**

Mr. Eugène Bellemare (Carleton—Gloucester, Lib.): Mr. Speaker, the third annual gala for child poverty will take place in the capital tomorrow.

This successful event benefits needy children in the Ottawa—Carleton region. It is sponsored by the Fund for the New Generation, a group of active young people who represent all parties in the House as well as the public, private and university sectors. These young people strongly believe in grassroots community support.

(1115)

I would like to take this opportunity to thank local merchants, retailers and national sponsors, such as Sun Life, Ryder Travel and Merck Frosst. Additional support is also provided by the Museum of Nature, the Ottawa *Sun*, KOOL-FM and the *Hill Times*.

Honorary chairs are Mayor Holtzman and the Speaker of the House of Commons. They have made the event possible, but they cannot do it alone. I call on members and citizens in the Ottawa—Hull area to go to the Museum of Nature tomorrow night at eight o'clock.

ORAL QUESTION PERIOD

[*Translation*]

CANADA'S CREDIT RATING

Mr. Gilles Duceppe (Laurier—Sainte-Marie, BQ): Mr. Speaker, after the dollar's wild ride last month and the recent rise in interest rates, yesterday, the renowned rating agency Moody's put Canada's credit rating under review.

My question is for the Minister of Finance. Since Moody's explained that its warning was due to the unacceptable levels of the federal and provincial deficits, does the Minister of Finance admit that his strategy to shovel his deficit into the provinces' backyards is making financial markets even more nervous?

Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec, Lib.): On the contrary, Mr. Speaker. We indicated very clearly to the provinces that our intention was not to shovel anything into their backyards but to work in close co-operation with them to really solve our common problems by putting our fiscal house in order at the federal and provincial levels. I must say that, at our meeting with the provincial finance ministers, they understood that very well.

Mr. Gilles Duceppe (Laurier—Sainte-Marie, BQ): Mr. Speaker, around this time last year, the Minister of Finance announced that he would show his true colours in his 1995

budget. We learned this week that the real Martin budget will be the 1996 budget.

Does the minister admit that Moody's warning is based on the financial markets' fear of having to defer the real decisions for another year?

Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec, Lib.): Mr. Speaker, in our last budget, we took more measures to solve Canada's financial problem than in any other budget in the last decade.

We said that last year's budget was the first phase and that the second phase would be this year's budget. And that is still our strategy.

Now, am I to understand from the hon. member's comments that he is against our intention to notify the provinces in order not to cause any surprises and that he is trying to promote the Conservative policy of causing surprises and offloading responsibilities onto the provinces? Well, that is not our intention.

Mr. Gilles Duceppe (Laurier—Sainte-Marie, BQ): Mr. Speaker, as you know, the road to hell is paved with good intentions.

Since the finance minister's performance aimed at shaping public opinion has gone on for too long and cost hundreds of millions of dollars because of the rise in interest rates, can the minister finally act responsibly and announce today the date of his next budget in order to end speculations hurting the Canadian economy?

Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec, Lib.): Mr. Speaker, again, I indicated very clearly that we were following a timetable that was set a long time ago. There is a budget every year and we intend to table our budget in due course. At that time, I will be pleased to respond to the hon. member's question regarding the date.

Mr. Michel Bellehumeur (Berthier—Montcalm, BQ): Mr. Speaker, my question is also for the Minister of Finance.

In putting Canada's credit rating under review, the New York firm Moody's based its decision partly on concerns that the next budget will increase taxes.

Will the minister admit that his inability to target tax iniquities as well as his refusal to pledge not to increase taxes in the next budget are additional sources of concern for financial markets?

(1120)

Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec, Lib.): Mr. Speaker, I am very sorry to contradict the hon. member, but if you heard Moody's announcement, you know that the decision has absolutely nothing to do with the

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budget, nor with any assumptions regarding taxes. That decision was prompted by a review of federal and provincial finances.

Mr. Michel Bellehumeur (Berthier—Montcalm, BQ): Mr. Speaker, I have a supplementary. When the minister says that he wants to target the tax shelters available to the rich, something which we heard before in this House, is he thinking of people who earn \$26,000 a year, as was the case in the 1994 budget, when he went after the tax credit for the elderly? Are these people the rich Canadians to whom the minister is referring?

Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec, Lib.): Mr. Speaker, in the last budget, we eliminated many tax loopholes, including butterfly transactions, the \$100,000 exemption on capital gains and the benefits enjoyed by corporations with subsidiaries and affiliates abroad.

I do not know how the hon. member defines the rich, but let me tell you one thing: We, Liberal members, do not consider that a person with an annual income of \$26,000 is wealthy.

[*English*]

Mr. Stephen Harper (Calgary West, Ref.): Mr. Speaker, my question is for the Minister of Finance.

He will know that despite his assurances, which are widely believed, that the government will meet its short term targets, a downgrade of Canada's credit rating now appears to be inevitable. This will lead to higher interest rates, higher borrowing rates and higher mortgage rates for all Canadians, rates that have risen considerably since the government took office.

Will the minister admit that his targets, whether or not they are met, are totally inadequate? That is what the markets are saying.

Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec, Lib.): Mr. Speaker, I am sure that on reflection, the member would want to think about what he has just said.

I am sure that he does not want to stand in the House and express to the world that the credit rating of this country will be downgraded. I hope that in his supplementary question he will pick up on that point.

A reading of the Moody's press release does not lead to the conclusion that the member has just drawn. Let me reaffirm that the 3 per cent target is an interim target. We are going to hit it and that is a very substantial accomplishment. Our ultimate goal is to eliminate the deficit.

Let me assure the member that we are going to hit our interim target and we are also going to hit our ultimate target.

Mr. Stephen Harper (Calgary West, Ref.): Mr. Speaker, the money markets are judging the performance of the government and they are not judging that performance favourably.

The minister must admit the 3 per cent target will add at least \$100 billion in debt over the short term. At best with current growth rates and interest rates, the markets are discovering that this means a likely continued deterioration in the debt-GDP ratio.

Will the minister admit that the 3 per cent target is inadequate and must be revised on more fundamentally sound economic grounds?

Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec, Lib.): Mr. Speaker, the hon. member will admit that the reason for the increase in the debt is not the target we have set but is the accumulation of the debt that we have inherited.

Whether it is this target or whether it is a target set by the Reform Party, a tail would exist. We have said very clearly that the 3 per cent target is an interim target.

Interim means interim. We have set a series of short term goals to make sure that we do not make the mistake of the previous government, which was to have longer term goals and allow people to postpone the day of decision.

We have set short term mileposts and we are going to hit them. We are going to continue to hit them until the finances of the country are put in a healthy state.

(1125)

Mr. Stephen Harper (Calgary West, Ref.): Mr. Speaker, it was the government's decision to ignore that advice and to lose the valuable first year in office. It is irrelevant to the money market whether the government hits a target of nearly \$40 billion.

To help restore credibility to his fiscal policy in the budget, will the minister set definite targets beyond 1996-97 and specify the tough actions necessary to reach them?

Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec, Lib.): Mr. Speaker, we have made it very clear that we are going to operate on a set of rolling two-year targets, that we are going to deal with the profound structural changes of this economy and the government spending needs.

As a result of the actions taken in this budget, and the actions taken in the last budget, which was the most substantive in the last 10 years, we are going to do what we have always said we would do, put the country's finances in a sound state.

Oral Questions

I understand his advice. It is well taken. I have great respect for the question. The only question I ask is: Why did he not give the same advice when he was working for the Conservative government and it allowed this debt?

* * *

[Translation]

CUSTOMS TARIFFS

Mr. Laurent Lavigne (Beauharnois—Salaberry, BQ): Mr. Speaker, Canada is now defending its tariff on agricultural products. The agriculture and international trade ministers have repeatedly suggested that Canada's legal position would not be strong enough to save its tariffs on yogurt and ice cream, most of which is produced in Quebec, where producers stand to lose more than \$100 million if the government does not support them.

My question is for the Minister of International Trade. Since the GATT agreement provides that tariffs will replace all other measures at the border to protect agricultural products, how can the minister be so dubious about the strength of the Canadian position on yogurt and ice cream?

[English]

Hon. Roy MacLaren (Minister for International Trade, Lib.): Mr. Speaker, I am not sure that I fully understood the question. The Canadian government intends to defend the dairy and poultry industries vigorously, as I said the other day. That of course includes yogurt and ice cream.

[Translation]

Mr. Laurent Lavigne (Beauharnois—Salaberry, BQ): Mr. Speaker, this is all very well, but the fact remains that Canada's legal position is more or less supported by GATT and NAFTA. So why is the minister negotiating another agreement, outside GATT and NAFTA, with respect to ice cream and yogurt?

[English]

Hon. Roy MacLaren (Minister for International Trade, Lib.): Mr. Speaker, there is no question of negotiating another agreement, if I understood the question. Our position is fundamentally, and has continued to be, that the protection afforded the dairy and poultry industry under the new World Trade Organization is the policy we are pursuing.

The United States has taken another view, that there is a commitment under the NAFTA to go to zero tariffs on those products. That is not our position. It may be the American position. Our position is clear. It is entirely defensible. We intend to pursue it vigorously, in the consultations which the United States has requested.

SOCIAL POLICY

Mr. Herb Grubel (Capilano—Howe Sound, Ref.): Mr. Speaker, my questions are for the Minister of Finance.

Everyone knows that social spending, broadly defined, takes up about 70 per cent of all program spending. Therefore, budget balancing requires social spending cuts, not as a matter of ideology but of simple arithmetic, to use the words of the Minister of Finance.

Does the Minister of Finance agree that yesterday's announcement by Moody's was caused by the absence of a clear commitment to substantial social spending cuts?

Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec, Lib.): Mr. Speaker, the answer is no.

(1130)

If you read Moody's press release, it did not assign a cause for blame in terms of social spending. It looked at the overall financial condition of the federal government and the provinces.

There is no doubt as we approach the budget that it is going to be important that we cut government spending. It is going to be important that we cut government spending in each part of its operation.

I would remind the hon. member that most studies in this area have also indicated that short term cutting of social spending hurts people's health, their ability to be trained and their ability to get work in the long run. As a leading economist I am sure the hon. member would agree that would add to the deficit. That is the balance that we have to bring to this particular exercise.

Mr. Herb Grubel (Capilano—Howe Sound, Ref.): Mr. Speaker, I am very sorry to have that answer because I think the capital markets will not like it.

A revenue increase in tax measures announced for the next budget will drive more Canadian investment abroad. The way he talks, the Minister of Finance will have a good shot at becoming the man of the year for job creation in the United States.

Does the minister not agree that it is time to stop the tired Liberal rhetoric about tax fairness, do what is right for Canada and rule out tax increases in the next budget?

Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec, Lib.): Mr. Speaker, we are in the next budget going to deal with all levels of government spending in all areas. There should be no doubt about this government's determination to break the back of the deficit. We are going to do that. We are going to do it fairly because fairness is the essence of Canadians

supporting a government's action in facing up to this burden. We are going to do it that way. Taxation may or may not be part of it.

The debate that I continue to have with hon. members opposite is the supposition that the current system is perfect, that there is no need for further fairness to be built in, that there is no need for further efficiency. That is wrong. The tax system must evolve. The tax system must be improved. We intend to make it happen.

In terms of job creation, 460,000-odd jobs have been created in this country. It is the best job creation record of any country in the G-7. I am damned proud of what we are doing.

* * *

[Translation]

CUSTOMS TARIFFS

Mr. Jean-Guy Chrétiens (Frontenac, BQ): Mr. Speaker, my question is for the agriculture minister. Milk producers in Canada should be able to count on the government standing up for their interests in respect of the Canadian customs tariffs disputed by the United States. If its past record is any indication of what is to come, one might fear that the government may give in to pressure once again.

Are we to understand from the remarks of his colleague for international trade that Canada is preparing to drop yogurt and ice cream, thereby creating a significant gap in the supply management system?

[English]

Hon. Ralph E. Goodale (Minister of Agriculture and Agri-Food, Lib.): No, Mr. Speaker. The answer given by the Minister for International Trade was very clear. The Canadian position through the last 16 months that we have been in office has been absolute and unequivocal. We support the Canadian supply management system. We are determined to defend that system against all comers. If the United States has a different point of view and wants to take a run at us, we obviously cannot stop it from taking a run at us, but if it does we will defend ourselves with everything we have.

[Translation]

Mr. Jean-Guy Chrétiens (Frontenac, BQ): Mr. Speaker, I have a supplementary question. Since the legal position in this dispute is straightforward and clearly established by the Uruguay Round and there is nothing to negotiate, are we to understand that the government's weakness in this matter, which affects Quebec in particular, is the price to be paid to Americans for having resolved the conflict over western wheat last summer?

(1135)

[English]

Hon. Ralph E. Goodale (Minister of Agriculture and Agri-Food, Lib.): Mr. Speaker, absolutely not. The position of

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the Canadian government through all of these very difficult trade issues with the United States has been first and foremost that we will defend Canadian interest and every aspect of it and that we will not in any way engage in any form of trade-off between regions of the country or different groups of farmers or different commodity groups.

Each one of these issues is separate and distinct and must be dealt with individually on its own merits. We will not engage in any form of trade-off.

* * *

THE ECONOMY

Mr. Ray Speaker (Lethbridge, Ref.): Mr. Speaker, I have listened very carefully to the responses of the Minister of Finance to my colleagues from Calgary West and Capilano—Howe Sound.

The minister has confirmed in this House that the government only has an interim target or goal and nothing beyond that. Moody's has given a message and the business community has given a message that there needs to be more.

Would he confirm that the government's target is a political target but not a real target in terms of economic needs today?

Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec, Lib.): Mr. Speaker, the government's target, 3 per cent of GDP, is approximately at the level at which the growth of the economy becomes greater than the growth of the debt. The debt to GDP ratio will begin to stabilize and then decline.

That is a very important target for a country. It is not a political target. It is an economic target. I am sure the member understands that. I am also sure the member understands when I say that it is an interim target that our ultimate target is to eliminate the deficit.

I am also sure the member will understand that a country does not only live by targets, that it lives by success. If I might, as of today the fact is Canada had its most impressive year ever for trade. I want to congratulate my colleagues. Merchandise exports, imports and the trade surplus over the year are at record levels. I congratulate the minister.

Mr. Ray Speaker (Lethbridge, Ref.): Mr. Speaker, the hon. minister can laud those accomplishments all he wants. Was it because of the government or despite the government that those things happened?

Moody's and the business community are saying very clearly to the government that it should work toward a balanced budget and we could maintain our triple-A rating. That is not happening.

Under the current circumstances would the minister consider stopping the presses, revising his budget, increasing the expenditure reduction and bringing in a more credible budget at the

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end of this month, better than the one he has announced to the business community?

Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec, Lib.): Mr. Speaker, last spring when the House was sitting the members opposite kept standing up and saying we are not going to hit our target, will we bring in a new budget, that they are panic stricken and we have to do something. About every second day there was a new cry of gloom and doom from the other side.

At that time we said there was no necessity to bring in a new budget for this year because we were going to hit our targets. Now we are going to beat those targets by a great deal.

The hon. member is bringing in his budget next Tuesday. We all look forward to it. I find it a little difficult that he stands in this House and says that we must revise our budget, we must bring in a more credible budget when he has not even seen it.

I can understand the necessity of practising and rehearsing his lines for after we bring in the budget but I do not think he should do it publicly.

* * *

(1140)

[Translation]

LOW LEVEL FLIGHTS

Mrs. Monique Guay (Laurentides, BQ): Mr. Speaker, my question is for the Minister of the Environment.

The Federal Environmental Assessment Review Panel, which is studying a proposal to increase the number of low level flights in Labrador, has not yet submitted its report to the government.

Is the Minister of the Environment aware of the negotiations currently in progress between Canada and Italy, Belgium, and the United States with a view to permitting new military training flights, even before the impact on the environment, wildlife, and people is known, and has the minister given her support for these negotiations?

Hon. Sheila Copps (Deputy Prime Minister and Minister of the Environment, Lib.): No, Mr. Speaker.

Mrs. Monique Guay (Laurentides, BQ): Mr. Speaker, how does the minister explain her government's disregard for the normal democratic process of consultation, by negotiating new low level flights now, even before the assessment report has been tabled?

Hon. Sheila Copps (Deputy Prime Minister and Minister of the Environment, Lib.): Mr. Speaker, we reject the hon. member's allegation. The environmental assessment is current-

ly under way, and we will abide by the results of the assessment, which have yet to be reported to cabinet.

* * *

[English]

CAMP IPPERWASH

Mrs. Rose-Marie Ur (Lambton—Middlesex, Lib.): Mr. Speaker, my question is for the Minister of National Defence.

Last year this government announced its commitment to return the site of Camp Ipperwash to the Kettle and Stoney Point Band. I understand that DND and the band have had discussions about a joint environmental assessment of the land before it is turned over.

Will the minister please tell me what progress is being made on returning the Camp Ipperwash land to the Kettle and Stoney Point Band?

Hon. David Collette (Minister of National Defence and Minister of Veterans Affairs, Lib.): Mr. Speaker, I thank the hon. member for her question. I know she is very concerned with the future of those particular lands.

As she will know, we decided to close Camp Ipperwash in last year's defence cuts because we believed that we could discharge our obligations at other facilities in Ontario and also because we wanted to facilitate the land being returned to the native population.

We are prepared to engage in a study with the native population of the area to decide on which approach should be taken in terms of environmental clean-up. We will give equal status to them on any particular study that is done.

Unfortunately we have yet to secure the agreement of local native leaders in this process and we are most anxious to do so.

* * *

LABOUR

Mr. Ian McClelland (Edmonton Southwest, Ref.): Mr. Speaker, my question is for the Minister of Human Resources Development.

Last April the minister appointed Paul Fraser to report on current labour issues in the rail sector affecting CN, CP and Via Rail. This report has been pushed back a number of times now.

Where is the report and why has it not been able to prevent what appears to be an inevitable strike?

Hon. Lloyd Axworthy (Minister of Human Resources Development and Minister of Western Economic Diversification, Lib.): Mr. Speaker, if I might be allowed to clarify the hon. member's assertions, we appointed Mr. Allan Hope as the conciliation commissioner, not Mr. Paul Fraser. Mr. Hope has

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already submitted his conciliation report which I received just last week.

We are presently reviewing it. It is going forward for translation. I expect to be able to table that report sometime next week at which time I hope it will provide the basis for a good negotiated settlement between the parties. I would not engage, as the hon. member seems to do, in prophesying a strike. I think the report can provide the basis for an agreement.

Mr. Ian McClelland (Edmonton Southwest, Ref.): Mr. Speaker, we certainly hope that Mr. Hope's report does bring hope to the situation.

In 1950, 1966, 1973 and 1987 the federal government introduced back to work legislation within days of a railway strike and had to appoint an arbitrator. Last year a grain handler strike went through the same process.

Recognizing the devastation and the consequences of another strike to industry in Canada, now that the minister expects to receive this—

The Acting Speaker (Mr. Kilger): I would hope the member would get to the question, please.

Mr. McClelland: Will the minister introduce legislation that would prevent a strike before the need for back to work legislation?

Hon. Lloyd Axworthy (Minister of Human Resources Development and Minister of Western Economic Diversification, Lib.): Mr. Speaker, at no time did we welcome the need to use back to work legislation. The Canadian labour code was built upon the basic principle of collective bargaining, which means that parties to a dispute can arrive at a settlement that meets their mutual interests. That is on what the labour relations of the country have been built and have in fact served us.

(1145)

Over the last year or so we have had a remarkable period of labour peace in Canada which I think we would like to see maintained. I would expect, once we table the report, that hope will spring eternal for a settlement.

* * *

[Translation]

SOCIAL HOUSING

Mr. Jean-Paul Marchand (Québec-Est, BQ): Mr. Speaker, my question is for the public works minister.

For a few weeks now, the people of Quebec and Canada have been living under the threat of the next budget. People in need fear that it might be worse than the last one in the area of new social and co-op housing.

Given that since 1991, Quebec received only 19 per cent of the total amount earmarked for social housing, when it has a quarter

of the population, which translates into a potential loss of \$100 million per year, would the Minister of Public Works commit himself to correcting this unfair situation for the neediest part of the Quebec population?

[English]

Hon. David Dingwall (Minister of Public Works and Government Services and Minister for the Atlantic Canada Opportunities Agency, Lib.): Mr. Speaker, I appreciate the hon. member's question. I am sure he is well aware that all ministers of the crown have to participate in cutbacks in terms of various expenditures in each of our departments.

The Minister of Finance has been extremely vigilant with cabinet colleagues to make sure that every expenditure is given due consideration.

I wish I could stand in the House today, and indeed in subsequent weeks, and give all sorts of assurances that there will be largess from the Government of Canada as it relates to housing. Quite frankly I think that would be misleading the House.

Mr. Jean-Paul Marchand (Québec-Est, BQ): That answer, Mr. Speaker, comes from the mouth of a minister who is well known for his patronage in the maritimes and who shells out almost \$400 million a year—

The Acting Speaker (Mr. Kilger): Order. I ask the hon. member to put his question.

Mr. Marchand: The \$100 million Quebec has lost over the past few years could be even higher if it were based on a Canadian standard—

The Acting Speaker (Mr. Kilger): Order. A question, please.

Mr. Marchand: That is my question. Is he aware that the \$100 million is based on population and that if it were based on a Canadian standard of need it would be much higher than \$100 million a year?

Hon. David Dingwall (Minister of Public Works and Government Services and Minister for the Atlantic Canada Opportunities Agency, Lib.): Mr. Speaker, I can well appreciate the concerns the hon. member is expressing, but he should know that we are in a very difficult fiscal situation as the Minister of Finance has told Canadians repeatedly.

I do not think it is accurate for the hon. member to suggest in the House or to imply by his questioning that somehow we are doing inappropriate things when it comes to the province of Quebec.

I remind the hon. member that the government, in view of its limited fiscal capacity, has provided \$5 million over four years in support of low income housing through the CREESOM initiative. We have provided another \$5 million in terms of the RéparAction program and another \$5 million in terms of landlords to upgrade rental and rooming housing. We have provided

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further assistance as it relates to assisting homeowners with cracked foundations.

Given the fact that the Minister of Finance and other members of cabinet have a limited capacity within which to operate, I think we have done reasonably well under the guise of fairness to provide that kind of assistance to the province of Quebec.

* * *

MEMBERS' PENSIONS

Mr. Ed Harper (Simcoe Centre, Ref.): Mr. Speaker, for months now we have been listening to the Liberal government rail against two-tier health care and two-tier taxation.

Imagine my surprise when the Liberals floated a two-tier MP pension: a reduced trough for the new MPs and the original pork barrel for the Liberal frontbenches.

My question is for the Deputy Prime Minister. Why does the Liberal rhetoric of equality not apply to MP pensions? Why are so many Liberal MPs reluctant to part with their gold plated pensions?

Hon. Sheila Copps (Deputy Prime Minister and Minister of the Environment, Lib.): Mr. Speaker, the premise of the hon. member's question is false.

(1150)

Mr. Ed Harper (Simcoe Centre, Ref.): Mr. Speaker, there is a price to pay for floating trial balloons and this one may be shot down.

I have a supplementary question. Why will the government not bring MPs' pensions into line with those in the private sector, do it equally across the board and do it now?

Hon. Arthur C. Eggleton (President of the Treasury Board and Minister responsible for Infrastructure, Lib.): Mr. Speaker, I think the Deputy Prime Minister said it all, but let me add that the government will acquit itself of its obligation with respect to the reform of MPs' pensions and it will be doing it mightily soon.

* * *

GOVERNMENT EXPENDITURES

Mr. Peter Thalheimer (Timmins—Chapleau, Lib.): Mr. Speaker, Canadians in general and my constituents in particular have expressed great concern that overlap and duplication at all levels of government are costly and unnecessary.

In his speech on Wednesday, the Minister of Foreign Affairs announced that from now on the federal government would

concentrate on areas of federal jurisdiction, recognizing that overlap and duplication had become serious problems.

What is the government doing to reduce costly overlap and duplication among all levels of government, particularly here in Ontario?

Mr. John English (Parliamentary Secretary to President of the Queen's Privy Council for Canada and Minister of Intergovernmental Affairs, Lib.): Mr. Speaker, I agree with the hon. member and my colleagues opposite that overlap and duplication seriously impair the efficiency of our federation. Fortunately we are making some real progress.

We have concluded agreements with the provincial government in 60 cases where we have made commitments. In these 60 cases, we have eliminated the overlap and duplication that raise costs for government in such areas as food inspection, drug prosecution, environmental management and, the member for Simcoe Centre will be glad to know, the Canada—Ontario Business Centre. Canada works best when it works together.

* * *

TAXATION

Mr. Nelson Riis (Kamloops, NDP): Mr. Speaker, my question is for the Minister of Finance who in his pursuit for tax fairness may or may not be aware that the business entertainment tax deduction includes escort services as long as the escort services are called being a bodyguard or a tour guide.

Again in an effort to bring sanity to our tax system, would the minister indicate to the House and to the Canadian public generally whether he feels it is an appropriate entertainment tax deduction?

Hon. David Anderson (Minister of National Revenue, Lib.): Mr. Speaker, I assure the hon. member that the escort services to which he has referred are not permitted.

However, if there is a situation where a bodyguard is required or a tour guide is required, it might be considered a legitimate business expense when entertaining a foreign client or someone like that. An interpreter would be in the same position.

Mr. Nelson Riis (Kamloops, NDP): Mr. Speaker, this may put a new twist on the term bodyguard or tour around the world guide or whatever.

Again in the pursuit of tax fairness, the Minister of Finance will know full well that a number of years ago as a result of the Carter commission, a study into Canada's taxation system, he indicated that a buck should be considered a buck, a buck, a buck, referring to the fact that a buck as capital gains is not equal to a dollar earned by labour.

Oral Questions

Would the Minister of Finance recognize that this policy is worth considering at this point, particularly when we acknowledge that \$1 billion is lost each year to the national treasury as a result of this tax provision?

Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec, Lib.): Mr. Speaker, I commend the member and certain members on my side who continue in the pursuit of tax fairness. It brings a very important element to the debate.

I fully understand the member's question and think everything should be on the table. Obviously everything should be looked at, but I would say that one can make the distinction especially at a time when one is looking to small and medium sized business and to entrepreneurs to create jobs. We should recognize that income derived from a certain degree of risk may well be treated differently if we are going to create the capital in the country to create more jobs.

* * *

(1155)

[*Translation*]

THE ENVIRONMENT

Mr. René Canuel (Matapédia—Matane, BQ): Mr. Speaker, my question is for the Minister of the Environment. After making important commitments during the election campaign to reduce greenhouse gases, the government has been at a standstill on the issue for 15 months. Worse yet, the federal Cabinet is divided on the issue of whether punitive measures or only incentives should be used.

Is the Minister of the Environment of the same opinion as her counterpart from natural resources and the Prime Minister that the only way to meet the red book's commitment of reducing greenhouse gases is to implement voluntary measures and incentives in the industry?

Hon. Sheila Copps (Deputy Prime Minister and Minister of the Environment, Lib.): Mr. Speaker, it is unfortunate that the hon. member has not yet had the chance to read the Liberal government's commitment in the red book, because in the red book, we promised a national action program that we will present in Berlin, and we are continuing to work towards that goal with all those concerned.

I am disappointed that, unfortunately, one government will not be present at the meeting in Toronto, next Monday. All of the action plans will be tabled at that meeting. And, unfortunately, the one government which will not be present at the meeting on the very important issue of the effect of greenhouse gases on all Canadians is the government of Quebec. We want to work with

the government of Quebec and I hope that the member opposite will do his best to bring Quebec to the negotiating table in Toronto on Monday.

Mr. René Canuel (Matapédia—Matane, BQ): Mr. Speaker, given the bad track record the oil industry has regarding environmental protection, will the minister not concede that the government is dreaming in technicolour if it believes that it can reduce greenhouse gases by virtue of incentives only?

Hon. Sheila Copps (Deputy Prime Minister and Minister of the Environment, Lib.): Mr. Speaker, it is obvious that we need stronger measures in addition to mere incentives. This was the policy we adopted in Bathurst with all of ministers of the environment and energy.

Unfortunately, I must reiterate that the Parti Québécois and the Bloc Québécois will be the first to accuse us of stepping on the provinces' toes if we were to regulate emissions that fall under provincial jurisdiction. What we promised in the red book was to get our house in order first and also to encourage all of the provinces to put in place more than incentives. We expect the government of Quebec to take part in discussions on this issue, which transcends all politics. It concerns the health of Canadians.

* * *

[*English*]

GOVERNMENT APPOINTMENTS

Mr. Chuck Strahl (Fraser Valley East, Ref.): Mr. Speaker, my question is for the Minister responsible for Public Service Renewal.

Yesterday the government released part of its program review, a review that took almost a year to complete. While a number of patronage positions were reduced it was a drop in the bucket and the old system of patronage is still intact.

Canadians are looking for a change in the process of appointments and until the process is changed nothing is really different.

Why did the minister not announce a change in the patronage process during yesterday's announcement?

Mr. John English (Parliamentary Secretary to President of the Queen's Privy Council for Canada and Minister of Intergovernmental Affairs, Lib.): Mr. Speaker, I thank the hon. member for his question.

The agency review announced yesterday that the number of governor in council appointments were reduced greatly. To clarify the situation, between November 1993 and the beginning of February the Government of Canada appointed approximately 700 persons to governor in council positions. It was actually 100 less than that because 600 were new appointments. The

Routine Proceedings

previous government had appointed 1,819 in the same period. In effect we have reduced the appointments by two-thirds.

Mr. Chuck Strahl (Fraser Valley East, Ref.): Mr. Speaker, the patronage process has been in place in Canada for 100 years. Yesterday's announcement did not change the process at all.

We need a more orderly, a more objective and a fairer process so Canadians have faith in the appointments the government is involved in.

(1200)

Why did the minister not change the patronage appointment process yesterday so that hundreds of these appointments do not continue to be made behind closed doors by orders in council?

Mr. John English (Parliamentary Secretary to President of the Queen's Privy Council for Canada and Minister of Intergovernmental Affairs, Lib.): Mr. Speaker, I wish to reiterate that it is a change of process where the numbers are one-third of what they were before.

We are changing the acts to make the processes fairer. All appointments are advertised in the *Canada Gazette* and we look at competence and merit in our appointments.

* * *

GUN CONTROL

Mr. Harold Culbert (Carleton—Charlotte, Lib.): Mr. Speaker, my question is for the Minister of Justice.

The new firearms' legislation includes universal registration, which is seen by many as a penalty to the responsible firearm owner, sporting enthusiast, farmer, game hunter and collector. Can the minister tell the House what benefits there are in requiring responsible owners to register their firearms?

Hon. Allan Rock (Minister of Justice and Attorney General of Canada, Lib.): Mr. Speaker, yesterday I had the privilege of leading off debate on second reading of Bill C-68. I commend to the hon. member *Hansard*, particularly pages 9707 to 9710 on this subject where I develop the reasons why registration will enhance community safety.

Let me briefly mention three now. By the way, I met with firearms' owners and groups in New Brunswick. I am well aware of their concerns.

First, where someone has firearms which are in collections or are of value to the owner, if they are lost or stolen, registration will enable the police to return those firearms to the owners. That is very helpful.

Second, the police want to have registration so when they are responding to calls of domestic violence, for example, they know what firearms are there before they arrive.

Third, police say that when courts make orders prohibiting people from having firearms, they cannot enforce them unless they have registration to make sure they have collected all the firearms which the person in question might own.

I commend to the hon. member the views of the Catholic Women's League of Canada, which has an important provincial chapter in Oromocto, New Brunswick, which just wrote endorsing universal registration and the balance of our firearms package.

* * *

[Translation]

WAYS AND MEANS

TABLING OF NOTICE OF MOTION

Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec, Lib.): Mr. Speaker, pursuant to the provisions of Standing Order 83(1), I have the honour to lay upon the Table some explanatory notes and a Notice of Ways and Means Motion to amend the Income Tax Act.

This motion is part of the government's plan to raise, as of midnight, the excise tax on cigarettes sold at the retail level in Ontario and Quebec.

I ask that you designate an Order of the Day for the consideration of the said motion.

ROUTINE PROCEEDINGS

[Translation]

PETITIONS

VOICE MAIL

Mr. Michel Guimond (Beauport—Montmorency—Orléans, BQ): Mr. Speaker, pursuant to Standing Order 36, I have the honour to table officially, on behalf of constituents in Beauport—Montmorency—Orléans, a petition with 253 signatures in which your petitioners call upon Parliament to urge the government to drop its plan to introduce a voice mail system for its services to senior citizens.

I agree with their position, and I think senior citizens are entitled to personalized services that meet their needs.

[English]

HUMAN RIGHTS

Mrs. Rose-Marie Ur (Lambton—Middlesex, Lib.): Mr. Speaker, I wish to table three petitions signed by the constituents of Lambton—Middlesex and duly certified by the clerk of petitions pursuant to Standing Order 36.

The petitioners pray and request that Parliament not amend the Human Rights Act or the Charter of Rights and Freedoms in

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any way which would tend to indicate societal approval of same sex relationships or of homosexuality, including amending the human rights code to include in the prohibited grounds of discrimination, the undefined phrase sexual orientation.

(1205)

CANADIAN WHEAT BOARD

Mrs. Georgette Sheridan (Saskatoon—Humboldt, Lib.): Mr. Speaker, pursuant to Standing Order 36, I have the pleasure of rising in the House today to present a petition on behalf of some of my constituents who request that Parliament continue to give the Canadian Wheat Board monopoly powers in marketing wheat and barley for export.

JUSTICE

Mr. Darrel Stinson (Okanagan—Shuswap, Ref.): Mr. Speaker, on behalf of our hon. colleague, the member for Calgary Southeast, I rise in the House on day 10 to present petitions.

These petitions are being presented on behalf of constituents who wish to halt the early release from prison of Robert Paul Thompson. April 11, 1995 is the date set for the parole hearing.

The petitioners I represent are concerned about making the streets safer for our citizens. They are opposed to the current practice of early release of violent offenders prior to serving the full extent of their sentences.

The petitioners pray that the streets will be made safer for law-abiding citizens and the families of the victims of convicted murderers.

CABLE INDUSTRY

Mr. Dan McTeague (Ontario, Lib.): Mr. Speaker, I have the privilege, pursuant to Standing Order 36, of presenting the first of many petitions dealing with the cable industry.

The 114 petitioners represent people from across southern Ontario who are requesting that the federal government immediately launch an investigation by the CRTC into the way in which cable companies have been raising prices inequitably.

HUMAN RIGHTS

Mr. John O'Reilly (Victoria—Haliburton, Lib.): Mr. Speaker, pursuant to Standing Order 36, it is with pleasure that I rise to present a petition with signatures from Beaverton, Fenelon Falls, Woodville and Cannington in the riding of Victoria—Haliburton.

The petition calls on Parliament to oppose any amendments to the Canadian Human Rights Act or the Canadian Charter of Rights and Freedoms which provide for the inclusion of the phrase sexual orientation.

Mr. Ian Murray (Lanark—Carleton, Lib.): Mr. Speaker, I have three petitions to present to the House today. The first petition, pursuant to Standing Order 36, is on behalf of 150 constituents who pray and request that Parliament not amend the human rights code, the Canadian Human Rights Act or the Charter of Rights and Freedoms in any way which would tend to indicate societal approval of same sex relationships or homosexuality, including amending the human rights code to include in the prohibited grounds of discrimination the undefined phrase sexual orientation.

The second petition is on the same subject matter. Almost 100 constituents are calling on Parliament to oppose any amendments to the Canadian Human Rights Act or the Canadian Charter of Rights and Freedoms which provide for the inclusion of the phrase sexual orientation.

YOUNG OFFENDERS

Mr. Ian Murray (Lanark—Carleton, Lib.): My last petition, Mr. Speaker, is from constituents who are very concerned about the increase in youth crime in our country.

The petitioners request that the government review and revise our laws concerning young offenders by empowering the courts to prosecute and punish young lawbreakers who are terrorizing our society by releasing their names and lowering the age limit to allow prosecution to meet the severity of the crime.

MINING INDUSTRY

Mr. Charles Hubbard (Miramichi, Lib.): Mr. Speaker, I have two petitions pursuant to Standing Order 36.

The first petition draws the attention of the House to the fact that Canada's investment climate is forcing its mineral industry to look for new opportunities abroad.

The Canadian Mineral Industry Federation has prepared a 10-point program of action to be addressed by both the mineral industry and the Government of Canada to keep mining in Canada. The petition urges Parliament to take action to increase employment in this sector, promote exploration, rebuild Canada's mineral reserves, sustain mining and keep mining in Canada.

ASSISTED SUICIDE

Mr. Charles Hubbard (Miramichi, Lib.): The second petition, Mr. Speaker, prays that Parliament ensures that the present provisions of the Criminal Code of Canada prohibiting assisted suicide be enforced vigorously and that Parliament make no changes in this law which would sanction or allow the aiding or abetting of suicide or any activity designed to terminate a life.

ABORTION

Mr. Murray Calder (Wellington—Grey—Dufferin—Simcoe, Lib.): Mr. Speaker, pursuant to Standing Order 36, I am

Routine Proceedings

presenting four petitions from my constituents from the riding of Wellington—Grey—Dufferin—Simcoe.

The first petition contains 29 signatures and calls on the government to amend the Criminal Code to extend protection to unborn children the same protection enjoyed by born human beings.

HUMAN RIGHTS

Mr. Murray Calder (Wellington—Grey—Dufferin—Simcoe, Lib.): Mr. Speaker, the second petition contains 32 names and calls on the government not to amend the human rights code in relation to the recognition of same sex relations.

ASSISTED SUICIDE

Mr. Murray Calder (Wellington—Grey—Dufferin—Simcoe, Lib.): Mr. Speaker, the third petition contains 42 signatures and calls on the government to ensure that the present provisions in the Criminal Code with regard to assisted suicide be enforced vigorously and make no changes to the law which would sanction or allow the aiding or abetting of suicide or active or passive euthanasia.

(1210)

DAY CARE

Mr. Murray Calder (Wellington—Grey—Dufferin—Simcoe, Lib.): Mr. Speaker, the fourth and final petition contains 100 signatures and asks the House to oppose any legislation that increases child care expenditures or attempts to regulate day care standards at the federal level.

EUTHANASIA

Mr. Ed Harper (Simcoe Centre, Ref.): Mr. Speaker, I wish to present three petitions on behalf of the constituents of Simcoe Centre.

The first is on the issue of euthanasia. The petitioners request that Parliament not sanction or allow the aiding or abetting of suicide or of euthanasia.

HUMAN RIGHTS

Mr. Ed Harper (Simcoe Centre, Ref.): Mr. Speaker, the second petition requests the Government of Canada not to amend the Human Rights Act to include the phrase sexual orientation.

The petitioners fear that such an inclusion would indicate societal approval of homosexual behaviour. The petitioners believe that the government should not legitimize this behaviour against the clear wishes of the majority.

CRIMINAL CODE

Mr. Ed Harper (Simcoe Centre, Ref.): Mr. Speaker, the final petition is about section 745 of the Criminal Code.

The petitioners request that Parliament repeal section 745 of the Criminal Code so that those convicted of first degree murder will have to serve their full 25-year sentence behind bars.

BILL C-41

Ms. Val Meredith (Surrey—White Rock—South Langley, Ref.): Mr. Speaker, I would like to present four petitions to the House today.

It gives me great pleasure to present the first one on behalf of 1,556 of my constituents who ask Parliament not to pass Bill C-41, with section 718.2 as it is presently and not to include the undefined phrase, sexual orientation, as this does not warrant special consideration in Canadian law.

VOLUNTEER FIREFIGHTERS

Ms. Val Meredith (Surrey—White Rock—South Langley, Ref.): Mr. Speaker, I have a second petition. The petitioners pray and request that Parliament recognize the social commitment and dedication of all volunteer firefighters by raising the tax exemption from \$500 to \$1,000.

DANGEROUS OFFENDERS

Ms. Val Meredith (Surrey—White Rock—South Langley, Ref.): Mr. Speaker, the third petition comes from 275 people in my constituency, who ask Parliament to amend the Corrections and Conditional Release Act and the Criminal Code to allow dangerous offender applications to be made just prior to the expiration of the offender's sentence. Then if the court accepts the application, the court could issue an order for continued detention or supervision of the offender.

THE BUDGET

Ms. Val Meredith (Surrey—White Rock—South Langley, Ref.): Mr. Speaker, the last petition I would like to present today on behalf of my constituents asks Parliament to reduce government spending instead of increasing taxes and to implement a taxpayer protection act to limit federal government spending.

* * *

POINTS OF ORDER

QUESTIONS ON THE ORDER PAPER

Mr. Jean-Paul Marchand (Québec—Est, BQ): Mr. Speaker, I have a point of order concerning questions that are placed on the Order Paper.

This is the third time I have risen in the House to ask the status of the answer to question 93 which I posed last October 19. Normally these questions must be responded to by the government within 45 days. It is now 122 days.

This is a flagrant show of disrespect for the rules of the House. I have stood in the House three times to ask for an answer to my question. "Maybe next week some time" I am going to get an answer to Question 93.

Is there a way to ask the Speaker of the House to force or to at least demand that the government respect the rules and give me the answer to Question 93, which is way overdue.

The Deputy Speaker: The hon. parliamentary secretary might deal with the hon. member's representations when he makes his statement.

Mr. Peter Milliken (Parliamentary Secretary to Leader of the Government in the House of Commons, Lib.): Mr. Speaker, I intend to do exactly that. This is the third time the hon. member has got up in the last seven or eight days on this particular question.

I pointed out to him on the first occasion that when he looks at the question, and he knows this perfectly well because he wrote it, he has asked for a list that must be quite substantial.

The question asked what contracts for services, supplies and leasing have been awarded by Public Works and Government Services since October 25, 1993 in all federal constituencies in Quebec and what federal government properties are located in those same constituencies? It will be an extremely substantial list.

(1215)

In providing an answer to the hon. member, the government wants to make sure it is accurate. I have no doubt great pains are being taken to ensure a full, accurate response will be given to the member.

The hon. member has asked for an answer within 45 days. It is impossible to prepare such a lengthy reply in that time and he knows that. We are doing our best to get the answer. I assure him I am working on getting an answer for his question. I will continue to work to get an answer for his question. I hope to be in a position to table that answer soon.

In the meantime, I ask that all questions be allowed to stand.

[Translation]

The Deputy Speaker: Shall all the questions be allowed to stand? The hon. member for Québec-Est will probably not agree.

Mr. Marchand: Mr. Speaker, no, I do not agree. The parliamentary secretary spoke of 45 days, but it has now been 122 days, not 45.

The Deputy Speaker: Shall the remaining questions be allowed to stand?

Some hon. members: Agreed.

[English]

The Deputy Speaker: I understand the hon. member for Kamloops has a petition. I do not think anyone will object if we revert to petitions.

Government Orders

PETITIONS

MINING INDUSTRY

Mr. Nelson Riis (Kamloops, NDP): Mr. Speaker, I am pleased to present a petition on behalf of the residents of Logan Lake, Kamloops and Ashcroft, all in British Columbia, who draw to the attention of the House the importance of Canada's mining industry.

They make a number of very forceful points which I will not repeat here. They are simply calling upon Parliament to take action that will increase employment in the mining sector, promote exploration for the mining sector, rebuild Canada's mineral reserves, sustain our mining communities, and essentially keep mining in Canada.

GOVERNMENT ORDERS

[English]

INCOME TAX ACT

The House resumed consideration of the motion that Bill C-59, an act to amend the Income Tax Act and the Income Tax Application Rules, be read the third time and passed.

Mr. Nelson Riis (Kamloops, NDP): Mr. Speaker, I appreciate having an opportunity to speak on the tax legislation at third reading. Essentially it is tax reform.

As my hon. friend from Vancouver South indicated in his presentation, there is an effort here at tax simplification as well, but we have a long way to go. This multi-volume treatise is an effort at simplifying the tax system. Imagine the size of the Tax Act of Canada and the appropriate regulations and interpretations that would go with it. It would stand two or three feet on the desk.

I am going to simply read a small portion to raise the question: Does this actually simplify our tax system or not? I am reading from page 46, number 7:

Subsections (1), (3) and (4) apply to dividends received after February 21, 1994 other than dividends received before 1995 in the course of a reorganization that was required on February 22, 1994 to be carried out pursuant to a written agreement entered into before February 22, 1994, except that, in applying the act to dividends received before June 23, 1994 to which subsections (1), (3) and (4) apply,

(a) Paragraph 55(3.1)(b) of the act, as enacted by subsection (4), shall be read as follows:

It goes on:

(b) The act shall be read without reference to paragraphs 55(3.1)(c) and (d) and (3.2)(c) and (e) as enacted by subsection 4.

Page 48, number 8:

Government Orders

Subsections (2), (5) and (6) apply to dividends received after February 21, 1994, other than dividends received as part of a transaction or event or a series of transactions or events that was required on before February 22, 1994 to be carried out pursuant to a written agreement entered into before February 22, 1994.

17.(1) Subsection 67.1(1) of the act is amended by replacing the reference to 80 per cent with a reference to 50 per cent.

(2) Subsection 1 applies to expenses incurred after February 21, 1994 in respect of food and beverages consumed and entertainment enjoyed after February 1994.

18.(1) Subparagraph 70(5.1)(d)(ii) 2 of the act is replaced—

I could go on. And this is an effort at simplification. I cannot imagine anybody without some superhuman mind, with multiple degrees in logic being able to even pretend that they follow this.

(1220)

Is it any wonder our tax system is so abused? By abused I refer to the many people who have lost complete faith in the tax system as being any kind of a fair system, a just system, an equitable system. They simply interpret every one of these sections to their advantage in the hopes there will not be an audit. Because of the cutbacks in Revenue Canada obviously there are very few auditors auditing out there, and if you are audited, you can challenge the interpretation.

When my friend from Vancouver South says the government has taken major steps in clarifying and simplifying the tax system, I am not certain what section he is reading because it is certainly nothing I have ever read in this area.

The hon. member goes on today as a result of this legislation to comment on the reduction of the business entertainment deduction from 80 to 50 per cent. The Minister of National Revenue confirmed today that escort services have traditionally been included as a legitimate business expense under the act, which raises a few questions just on its own terms. However, that deductibility will be reduced from 80 per cent of the escort service cost down to 50 per cent.

Because of the public furore the tax department has said it is going to redefine that. The escort services that you see listed in a telephone book will be disallowed. However if the escort service is considered to be a bodyguard, a tour guide, or an interpreter as the Minister of National Revenue confirmed today, of course they would be legitimate deductions.

I can see accountants becoming quite creative in the use of those terms to allow that business expense to continue. I could go on and on with all sorts of illegitimate uses. They would not be illegal because again, as long as an escort service is considered to be an interpreter or a bodyguard, it is a legitimate expense.

In the spirit of fairness, surely there must be some distinction when it comes to business entertainment deductions. There is a difference between a number of individuals getting together

over lunch or dinner to discuss a business transaction or some aspect of carrying out their business, and some lavish entertainment where folks are visiting a number of posh clubs and wining and dining at extravagant prices. Again a certain amount of that tab is being picked up by the general taxpayers of the country. I simply point that out as one of the problems with a section of this bill.

The member for Vancouver South gives us the impression that major steps have been taken to bring fairness back into the system. However, I do not think any step at all has been taken but to put some difficulty on those individuals who are carrying out a legitimate business transaction over a business lunch.

Other than that in Bill C-59, I want to also mention the reference made by a number of speakers about the tax revolt which is taking place and the fact that people are calling for, predicting or suggesting there is bound to be a tax revolt if the minister raises taxes. There already is a tax revolt under way.

That tax revolt has been in place for many years. It is called the underground economy. People have simply said that they have lost faith in the tax system. They are going to conduct as much business as possible underground, under the table where it is then obviously unreported and by definition, un-taxed.

To what extent does this underground economy exist? Obviously there is no accurate figure, but from my study of this issue, the lowest amount I have ever come across is about \$40 billion in annual business transactions and the highest has been \$120 billion. I am not here to say that either one of these extremes is accurate. Regardless, it is a substantial amount of money and my guess is that it is probably even higher than these estimates would suggest.

Is there anyone in the country these days who in some form is not participating in the underground economy? I say that not suggesting anybody here or anywhere is willfully breaking the law. I refer to our neighbours to the south. Whenever President Clinton is trying to appoint someone to some official capacity under the scrutiny of Congress eventually or inevitably it is pointed out that they have participated in the underground economy by paying a nanny cash or buying wood for cash from somebody for their fireplace or participating in some barter aspect. It has become almost a Canadian way of life.

(1225)

I notice that now when you walk into almost any book store in Canada right, front and centre some of the best sellers are on how to avoid tax. I noticed one the other day in which the person said forget it, leave Canada and live in the Cayman Islands and transfer everything right offshore. He has given up totally on even trying to come to any realistic approach to the tax system.

Government Orders

In the press today I thought were some very interesting comments. Neville Nankivell, writing under the title of nation's business for the *Financial Post*, reports that presently there are about \$6.6 billion owed in unpaid taxes. These are simply individuals or companies that have agreed that they owe these taxes and will pay them in due time and are presently paying a penalty. There is another \$2.7 billion tied up in tax appeals before the courts.

There we have \$9.3 billion sort of sitting there that probably will end up one day in the treasury but this does not include all those who are simply tax evaders. Unfortunately there are increasing numbers of those folks.

For the under reporters, that is the underground economy, we might be talking here if this were to be taxed at some nominal rate at between \$10 billion and \$30 billion.

In other words, what this tells me, and perhaps I am naive in this interpretation, is that if we had a decent, fair and just tax system, and the economy were brought from underneath the table on to the top of the table and taxed at some realistic level, that would be the entire deficit paid down just from the additional revenues from a fair and honest system of doing business in the country.

That is a bit of a wish list but it does point out the incredible extent of the underground economy and what that is doing in terms of the future of the country regarding our debt and deficit pay down.

In the last moment or two remaining I do want to mention one aspect that I think is causing a great deal of concern to the public generally and that is the possibility of taxing dental and health plans that employers contribute to and so on.

I know this would generate a lot of money in terms of the government. So many people now have access to decent health care, I am thinking particularly of the preventative kind, certainly decent dental care and the only way that is available to them is as a result of these company plans. To tax those plans, as so many people have indicated, would obviously mean that a number of people, and unfortunately large numbers of people, would simply have inappropriate dental and health care.

I cannot imagine any member standing up and suggesting that a tax be levied on these kinds of health care plans and dental plans.

I also want to draw the attention of the House to an article in the paper the other day mentioning the whole matter of those folks who are selling property in the United States and are going to have a tax credit here in Canada. I raised this in the House with the Minister of Finance. I said that if a person is selling property in the United States over \$600,000 in U.S. assets,

should we be providing tax credits for that here in Canada? In other words, should we be encouraging people to buy and sell property in the United States?

I know the Minister of Finance had an explanation for this. I suppose he could have an explanation for even deducting escort services on our tax and so on. The point is as we struggle to come up with a reasonable tax system I notice in the press yesterday a whole number of what I would call tax experts are saying that this provision is simply wrong.

I am not referring to members of Parliament from most political parties who have been critical of this. People who are knowledgeable about the tax system are now saying that this whole aspect of a tax arrangement between Canada and the United States that allows Canadians selling their assets in the United States over \$600,000 to receive tax credits here in Canada is simply wrong.

I would support that notion and raise this today to flag the incident for the Minister of Finance as something to consider when he introduces his budget in a few days.

While these changes in the bill before us do make the tax system somewhat more equitable, we have a long way to go. In terms of making it more simple so people have some hope of understanding it, I would ask any member to sit down for five minutes and pick any page out of this attempted simplification to see if they can understand that page. If they can, I would have to admit they are a better person than I when it comes to understanding detailed tax matters.

In closing, a lot of work has yet to be done. I appreciate that this is a small step toward improving the tax system but I would emphasize that it is only a very small step. For that reason my party will be voting against the bill at third reading.

[*Translation*]

The Deputy Speaker: Is the House ready for the question?

Some hon. members: Question.

The Deputy Speaker: Is it the pleasure of the House to adopt the motion?

Some hon. members: Agreed.

Some hon. members: No.

The Deputy Speaker: All those in favour will please say yea.

Some hon. members: Yea.

The Deputy Speaker: All those opposed will please say nay.

Some hon. members: Nay.

The Deputy Speaker: In my opinion, the yeas have it.

And more than five members having risen:

Government Orders

The Deputy Speaker: Pursuant to Standing Order 45(6), the recorded division stands deferred until 6.30 p.m. on Monday, February 20, 1995.

[*English*]

Mr. Boudria: Mr. Speaker, I think you would find unanimous consent to further defer the vote until Tuesday at 5.30 p.m.

The Deputy Speaker: Is there unanimous consent?

Some hon. members: Agreed.

Mr. Boudria: Mr. Speaker, I think you would find unanimous consent to call it the time of adjournment.

The Deputy Speaker: Is there unanimous consent?

Some hon. members: Agreed.

The Deputy Speaker: It being 12.33 p.m., the House stands adjourned until Monday at 11 a.m.

(The House adjourned at 12.33 p.m.)

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