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(HANSARD)

Thursday, May 31, 2001

Speaker: The Honourable Peter Milliken

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HOUSE OF COMMONS

Thursday, May 31, 2001

The House met at 10 a.m.

Prayers

ROUTINE PROCEEDINGS

• (1005)

[*English*]

GOVERNMENT RESPONSE TO PETITIONS

Mr. Derek Lee (Parliamentary Secretary to Leader of the Government in the House of Commons, Lib.): Madam Speaker, pursuant to Standing Order 36(8) I have the honour to table, in both official languages, the government's response to nine petitions.

* * *

[*Translation*]

COMMITTEES OF THE HOUSE

OFFICIAL LANGUAGES

Mr. Mauril Bélanger (Ottawa—Vanier, Lib.): Madam Speaker, I have the honour to present the third and fourth reports of the Standing Joint Committee on Official Languages.

The third reports on the committee proceedings on the appropriations for the Office of the Commissioner of Official Languages and approves them.

In the fourth report, the committee unanimously expresses the wish that the government consider the advisability of increasing funding for the Office of the Commissioner of Official Languages.

HUMAN RESOURCES DEVELOPMENT

Mr. Peter Adams (Peterborough, Lib.): Madam Speaker, I have the honour to present, in both official languages, the third report of the Standing Committee on Human Resources Development and the Status of Persons with Disabilities entitled "Beyond Bill C-2: a Review of Other Proposals to Reform Employment Insurance".

[*English*]

I am very pleased to present the report, which was endorsed by all parties on the committee. This is not an easy thing for a committee to do with a topic that attracts such great interest as employment insurance.

The report is a deliberate follow up on the work this committee did on Bill C-2, which the House passed. It deals with issues that were raised by the 80 witnesses we received during the Bill C-2 hearings. We tried to present the concerns of all of those people to the government in this report.

I am most grateful to members of all parties on our 18 person committee.

PROCEDURE AND HOUSE AFFAIRS

Mr. Derek Lee (Parliamentary Secretary to Leader of the Government in the House of Commons, Lib.): Madam Speaker, I have the honour to present the 21st report of the Standing Committee on Procedure and House Affairs regarding the selection of votable items in accordance with Standing Order 92.

The report, in keeping with the tenor of the times, is introduced on wrinkled parchment. The report is deemed adopted upon presentation.

• (1010)

I also have the honour to present the 22nd report of the Standing Committee on Procedure and House Affairs regarding the provisions of Standing Order 87(6), sometimes known as the 100 signature rule for private members' business.

If the House gives its consent I intend to move concurrence in the 22nd report later this day.

Mr. Peter Adams: Madam Speaker, I rise on a point of order. At the end of my presentation of the report of the Standing Committee on Human Resources and the Status of Persons with Disabilities I forgot to ask that members of other parties who were on our committee be given a short time to speak to that report. I would be most grateful, if you would seek unanimous consent to return to that item.

The Acting Speaker (Ms. Bakopanos): Is there unanimous consent?

Supply

Some hon. members: Agreed.

Some hon. members: No.

[Translation]

Mr. Louis Plamondon: Madam Speaker, I had informed the House that I intended to table an interparliamentary delegation report.

The Acting Speaker (Ms. Bakopanos): You must get the unanimous consent of the House. Does the member have the unanimous consent of the House to revert to parliamentary delegation reports?

Some hon. members: Agreed.

* * *

INTERPARLIAMENTARY DELEGATIONS

Mr. Louis Plamondon (Bas-Richelieu—Nicolet—Bécancour, BQ): Madam Speaker, pursuant to Standing Order 34, I have the honour to table, in both official languages, the report of the Canadian branch of the Assemblée parlementaire de la Francophonie, as well as the financial report relating thereto.

The report deals with the meeting of the Commission on Education, Communication and Cultural Affairs held in Cambodia on April 2 and 3, 2001.

[English]

Mr. Derek Lee: Madam Speaker, if the House gives its consent I would move that the 22nd report of the Standing Committee on Procedure and House Affairs presented to the House earlier this day be concurred in.

The Acting Speaker (Ms. Bakopanos): Does the House agree?

Some hon. members: Agreed.

Some hon. members: No.

* * *

PETITIONS

TRADE

Ms. Judy Wasylycia-Leis (Winnipeg North Centre, NDP): Madam Speaker, I am very pleased to present a petition signed by a number of people in my constituency who join with other Canadians in expressing their concern about free trade and, in particular, the free trade area of the Americas agreement.

The petitioners are very concerned about negotiations involving the free trade area of the Americas and the lack of access to the details pertaining to this agreement. They want to see the Government of Canada take decisive action to ensure that any negotiations on free trade provide for the protection of our health care system and our environment, and ensure that the safety and security of Canadians is at the top of the list.

They call upon the government to adopt a new approach to globalization that places social, economic and ecological justice above the profits of multinational corporations.

* * *

QUESTIONS ON THE ORDER PAPER

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

The Acting Speaker (Ms. Bakopanos): Is that agreed?

Some hon. members: Agreed.

* * *

[Translation]

BUSINESS OF THE HOUSE

Mr. Michel Guimond (Beauport—Montmorency—Côte-de-Beaupré—Île-d'Orléans, BQ): Madam Speaker, there has been consultation among all the parties, and I believe that you will find consent for the following motion. I move:

That the mover of today's opposition motion be deemed to be the hon. member for Lévis-et-Chutes-de-la-Chaudière rather than the hon. member for Saint-Hyacinthe—Bagot.

The Acting Speaker (Ms. Bakopanos): Is there unanimous consent?

Some hon. members: Agreed.

(Motion agreed to)

● (1015)

Mr. Michel Guimond: Madam Speaker, I rise on a point of order. I want to inform you that only the first speaker will split his time. The others will follow the procedure provided for in the standing orders.

GOVERNMENT ORDERS

[Translation]

SUPPLY

ALLOTTED DAY—FEDERAL-PROVINCIAL FISCAL ARRANGEMENTS

Mr. Antoine Dubé (Lévis-et-Chutes-de-la-Chaudière, BQ) moved:

That, in the opinion of this House, the government should call a federal-provincial first ministers' conference for the purpose of reapportioning the tax base among the federal and provincial governments through the transfer of tax points.

He said: Madam Speaker, it is an honour for me this morning to launch this debate on behalf of the Bloc Québécois. This is, in my opinion, a very important debate that addresses Quebec's historical demands.

Supply

From the outset, I think it is a good idea to reread the motion:

That, in the opinion of this House, the government should call a federal-provincial first ministers' conference for the purpose of reapportioning the tax base among the federal and provincial governments through the transfer of tax points.

In Canada, the financial situation of the two levels of government, namely the federal and provincial governments, can be summed up very simply: the needs in the health, education and social services sectors are in Quebec and in the other provinces, while the money is in Ottawa.

For several years now, Ottawa has been accumulating indecent budgetary surpluses. This would be acceptable if Ottawa seized this opportunity to withdraw from the area of taxation and left it to the provinces or if it would transfer part of these surpluses to Quebec and to the provinces, for health and education. But Ottawa would rather hide these surpluses and reallocate them massively to reduce the debt. It even refuses to restore transfer payments to the 1993 level.

The hon. member for Saint-Hyacinthe—Bagot has had, and will again have the opportunity to demonstrate, with all the energy, enthusiasm and seriousness that characterize him, this critical aspect because this is what led to today's debate.

In the last federal budget, Ottawa's fiscal effort in the transfers for post-secondary education is the lowest in 30 years. As for health, the federal contribution is now only equivalent to 14 cents for each dollar spent by Quebec.

Today's motion seeks to correct the fiscal imbalance and to ensure that the revenues of each government are based on their fundamental needs.

This is why the Bloc Québécois is calling for a federal-provincial conference for the purpose of reapportioning the tax base through the transfer of tax points from Ottawa to Quebec and the other provinces. In Quebec there is complete agreement on this, and the premiers of some of the other provinces share that consensus as well.

I prefer to leave discussion on the financial situation up to the hon. member for Saint-Hyacinthe—Bagot, our finance critic, and he will be speaking later in the day.

It is not difficult to figure out that the money is in Ottawa while the needs are in the provinces. The federal government's revenues have increased by 53% between 1993 and 2001, while its expenditures have decreased by 3%. Over that same period, Quebec's program expenditures have risen by 16% and health expenditures by 32%.

In other words, the health sector alone represented 71% of the increase in expenditures. Federal cuts in expenditures have been at the expense of the provinces through cuts to transfer payments.

From the early 1990s to the present, federal transfers to Quebec have dropped from close to 20% of Quebec social expenditures to about 13%.

• (1020)

The hon. member for Hochelaga—Maisonnette will certainly elaborate more on health.

Spending in education increased by only 3% from 1993 to 2001 because health was a priority. Things were already fiscally tight.

This problem is due to the federal government, because its financial contribution in terms of transfers for post-secondary education is at its lowest level in 30 years, as I said earlier.

The federal government contributes less and less to the needs of Quebecers. Between 1993 and 1999, its share has dropped from 23% to 13.5%.

A bit of historical context of the tax point issue would be in order. Tax points transferred to the provinces are not a kind of federal assistance, nor are they an exercise of its spending power.

In fact, they contribute to balance the tax positions in the federation, and this has nothing to do with the Canadian social transfer for health, education and social services.

The tax point transfer to the provinces in the 1960s, aimed at giving back to the provinces some of the tax room they had yielded to the federal government in the 1940s, particularly to finance the war effort.

Important dates should be remembered. In 1882, Quebec introduced its tax on corporations. In 1892, it created inheritance tax. In 1917, the federal government introduced a personal income tax. In 1939, Quebec collected tax on personal income. From 1941 to 1942, tax rental agreements were signed by which the provinces agreed to refrain temporarily from collecting personal and corporate income taxes and inheritance tax; in return, the federal government agreed to pay them a rent for the war effort.

In 1947 after the war, the federal government tried to renew for five years the tax rental agreements for the purpose of reconstruction. Quebec and Ontario refused and created their own corporate income tax scheme. These two provinces also started collecting inheritance tax again.

In 1952, the federal government maintained its approach and offered a new transfer package to the refractory provinces. Ontario accepted the offer, but not Quebec.

In 1954, Duplessis said "Give us back our booty". Since it failed to negotiate a partial withdrawal of the federal government from the field of personal income tax, Quebec got back on board with a rate equal to 15% of the federal rate.

Supply

Between 1960 and 1966, a series of tax points were transferred to the provinces. In 1977, there was a federal-provincial agreement on tax points, an agreement that excluded Quebec which, supposedly, had received more than its share in 1966.

That tax point transfer has indeed been the subject of a federal-provincial agreement. The provinces and the territories received from the federal government a transfer of 13.5 tax points for personal income tax and one tax point for corporate income tax.

In 1997-98, the main tax point transfers to the provinces and the territories amounted to \$2.7 billion. These transfers are now worth four times more, that is, \$13.9 billion. That does not mean that the federal government is transferring tax fields worth \$13.9 billion.

Tax points are, in fact, provincial revenues. Thus, the tax point figures appearing in the various federal budgets are simply the current value of the points transferred in the 1960s.

Here I would like to quote a comment Allan Maslove, a professor at Carleton University's school of public administration, who said that tax points are now an established component of the provincial tax base and should not be viewed as a form of transfer from Ottawa.

Historically, all Quebec premiers have expressed concerns over the tax balance with Ottawa. By starving the provinces financially the federal government, citing its spending power, manages to impose its management conditions on certain areas of Quebec jurisdiction.

• (1025)

I mentioned earlier Mr. Duplessis, but I would like to point out that Jean Lesage, at the federal-provincial first ministers' conference in 1960, reiterated Quebec's position with respect to federal spending power by decrying the conditional funding paid to the provinces in the form of shared cost programs.

Following him, Daniel Johnson in 1966 renewed Quebec's decision to opt out of established joint programs and not take part in any new programs. In addition, he demanded that Quebec's withdrawal be unconditionally fiscally compensated. He said:

Joint programs are an obstacle to the unfettered growth of Quebec. They impose priorities that may get in the way of those Quebec would otherwise set, and limit its real budgetary autonomy . . . Joint programs freeze the fiscal resources of a nation like ours and deny us full control over areas of activity that rightfully come under our jurisdiction.

Mr. Johnson's successor, Jean-Jacques Bertrand, maintained Quebec's position. He, too, denounced the exercise of federal spending power.

Then it was the turn of Mr. Bourassa's Liberal government, which also saw this spending power as a federal intrusion in

Quebec's jurisdiction. Like his predecessors, Premier Bourassa felt that a new fiscal balance would allow Quebec the full exercise of all its powers. He said:

—we will only achieve a viable balance if, within the framework of the general principle, we can ensure the necessary flexibility so that each level of government has the revenue it needs to exercise its fiscal powers without a negative impact on overall growth and the balance of the various sectors of the economy.

The government of Quebec's inaugural speech, read in the national assembly in March 1973, made rebalancing tax sharing in the federation a priority.

All this is to say that what we are asking for this morning is consistent with what Quebec has asked for in the past, not just under PQ governments but under all governments since Duplessis.

Mr. Pierre Paquette (Joliette, BQ): Madam Speaker, I too am pleased to take part in this debate and to support the motion put forward by the hon. member for Lévis-et-Chutes-de-la-Chaudière.

I believe this motion should get the support of every member in the House. I would like to read it again in order to put the debate in the right perspective. It reads as follows:

That, in the opinion of this House, the government should call a federal-provincial first ministers' conference for the purpose of reapportioning the tax base among the federal and provincial governments through the transfer of tax points.

I think the situation is excessively simple and it is also excessively dramatic. As it was pointed out already, and I think this should be stressed again, needs are currently under provincial responsibility, like health, post-secondary education and social services as a whole. All these responsibilities are at the provincial level, whereas money is at the federal level, in Ottawa. It is a situation that has to be corrected.

The strongest evidence that the money is in Ottawa is the fact that between 1993 and 2001 federal revenues have increased by 53% while federal spending decreased by 3%. Meanwhile, in Quebec program spending increased by 16%. I think these numbers illustrate quite well the situation where needs are growing in Quebec with a 16% increase in spending, while revenues are increasing and spending is decreasing at the federal level.

This allows the federal government to accumulate surpluses that are becoming indecent. From 1996 until now, there have been \$60 billion in unforeseen, hidden surpluses. Over the years, the Minister of Finance has erred by 130% to 400%. Can the government pretend that such errors are inadvertent? I do not think so. This is a federal government strategy to undemocratically divert part of the taxes paid by Quebecers and Canadians in order to use them for other purposes than those that were announced.

The government has \$60 billion in hidden surpluses since 1996. These are systematic, deliberate errors. The member for Saint-Hyacinthe—Bagot has done some calculations and has correctly

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identified the surpluses over the last years, something the Minister of Finance was unable to do.

• (1030)

The member for Saint-Hyacinthe—Bagot, whom I congratulate for his excellent work, had forecasted \$60 billion in hidden surpluses. He now tells us that in the next four years \$90 billion in surpluses will go into the federal government's coffers. What for? To pay off the debt.

This is the most undemocratic action since the passage of the so-called "clarity" bill, Bill C-20 tabled by the Minister of Intergovernmental Affairs, who wants to lock in the Quebec people and their right to collectively choose their future. In my opinion, after passage of Bill C-20, the most undemocratic thing the federal government has done is certainly diverting its surplus towards paying off the debt.

Why? Because the Liberal government got elected on the promise that 50% of the surplus would be used to cut taxes and reduce the debt and the other 50% would be devoted to all programs, particularly those under provincial jurisdiction.

Then we saw some low, despicable electioneering. The Liberals went through the campaign saying that this is how they would split the surplus, opposing their approach to the approach of other parties like the Canadian Alliance. The Alliance was proposing further tax cuts. The Liberals wanted to appear progressive, but in fact they chose to repay the debt without any public debate and they deceived the public.

I think this discredits the Liberal government and, unfortunately, the whole of politics. I think we must condemn such an undemocratic act and the conference we are proposing would be the opportunity for a real public debate where we could determine exactly what the surplus should be applied to.

Naturally, the Bloc Québécois is not against paying down the debt. However, when we pay down a good part of the debt with hidden surpluses, without any public debate, in a way that is detrimental to the quality of public services, especially provincial ones, there is a big problem.

In this regard, I remind hon. members that the Minister of Finance greatly paid down the debt with concealed surpluses, in a way that was detrimental to health. This has been said before but it warrants repeating. A few years ago, the federal government funded 50% of all health spending in Quebec; it paid 50 cents on the dollar. Today, its share is only 14 cents on the dollar. At the same time, the federal government still wants to impose national standards on us.

As for post-secondary education, the level of transfer payments is at a 30-year low. Yet the liberals are telling us that investment in education is the Canadian way. What a lie. Over the past few years,

federal transfer payments for post-secondary education have gone from 12.5% to 8.3%. That is reality. It is not just words, but reality.

A third element consists in the wholesale paying down of the debt with the concealed surplus, while refusing to restore transfer payments to the provinces to their 1993 level, a time when federal public finances were in a sorry state. This means that today federal transfer payments for program funding in Quebec have gone from their 1990 level of 20% down to 13%. This is a real problem.

We in the Bloc Québécois have a solution for resolving this problem of fiscal imbalance. As has been said, this is a problem that goes back in history. During World War II, the provinces did indeed give up this source of revenue in order to contribute to the war effort. This is a situation we now need to remedy.

It is clear to the Bloc Québécois that the best solution is Quebec sovereignty. With Quebec sovereignty, we would repatriate all of our taxes, make collective decisions and avoid the anti-democratic situation in which we find ourselves at the present time within the Canadian federal system, this systematic lack of democracy. The best example of this is the way the employment insurance fund surplus has been diverted and the way the surplus that came from all taxpayers has also been diverted.

Quebec sovereignty is therefore the choice that should be made here, but until that time it seems to us that for the good of Quebec and for all the provinces as well, all members of this House should agree with this motion. The government must sit down with the provinces in order to reapportion the tax bases and transfer tax points, which would become the property of the provinces, so that they may assume their responsibilities in the areas of health, education and all the social services.

• (1035)

That has already been mentioned. Historically speaking, all Quebec premiers, regardless of their position on the national issue, called for the re-establishment of a fiscal balance, be it Duplessis, Lesage, Johnson, senior, Jean-Jacques Bertrand, Robert Bourassa, René Lévesque, Pierre-Marc Johnson, Daniel Johnson Jr., Jacques Parizeau or Lucien Bouchard.

All these premiers wanted to rectify a situation that may be explained historically with dates from the second world war. The federal government has systematically fought the desire of Quebec and the provinces to return to the situation that existed prior to the second world war.

To this, I must add an element in the debate, which I think will be picked up by the member for Hochelaga—Maisonneuve. This fiscal imbalance exists in the context of a social union, something that is extremely dangerous for the future of Quebec, because the

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other provinces have legitimized the federal government's intervention in Quebec's jurisdictions.

Quebec refused to sign the social union—which we agree with entirely—but in the context of fiscal imbalance, the provinces see their jurisdictions threatened.

The most amusing illustration of that perhaps was the millennium scholarships, in which the federal government did everything possible to ensure a little maple leaf appeared on the cheques.

It seems to me that the motion proposed by the member for Lévis-et-Chutes-de-la-Chaudière speaks for itself. Nevertheless, I would like to move the following amendment to the main motion. I move:

That the motion be amended by adding after the word "conference" the following: ", as soon as possible."

I think the situation is pressing. It is dramatic.

The federal government must call this conference. All the provincial premiers are calling for it.

The Acting Speaker (Ms. Bakopanos): The amendment is in order. Debate is now on the amendment.

[*English*]

Mr. Tony Valeri (Stoney Creek, Lib.): Madam Speaker, it is a pleasure to rise in the House this morning to speak on the Bloc motion, although I speak on it with some surprise. We have the Bloc asking for a first ministers conference to discuss the reappportioning of the tax base among the federal-provincial governments through the transfer of tax points. I am also surprised by the assertion of the Bloc that there is an imbalance between the provincial governments, or in this instance between Quebec and the national government.

As I listened to a couple of the speeches a few moments ago, there was also a substantial amount of rhetoric with respect to what the government was doing with the surplus and how we were managing our approach.

From the outset, I disagree with the statements made by the Bloc members that the government was not taking a balanced approach to its financing. When we look what we did with our tax file and our reinvestment in health care and post-secondary education, along with the debt repayment, it clearly reflects what Canadians have said to the national government. In fact they have said it to the finance committee.

• (1040)

I also found it quite humorous that a member across the way talked about how we were not consulting Canadians. If we look at the prebudget consultation process that was put in place when we took office, I believe it was more transparent and more open than

any prebudget consultation. It was probably the most transparent approach to building budgets in the history of the country.

There have been a couple of statements already made by the Bloc that I have some difficulty with and I will address them as I continue my discussion this morning.

The point I would like to make at the outset is that while the Bloc has put this motion in front of the Chamber and has asked members to consider the idea of calling together first ministers to discuss the issue, first ministers meet often. This is an issue could be added to an agenda for discussion, but I find it outrageous that the Bloc would put forth a motion to discuss tax points, when according to the Bloc it does not mean anything. Therefore, I am a bit confused when I try to comprehend why it would need more tax points.

I would like to illustrate that point by the fact that since I have been in the House, dating back to 1993, and in the various debates which have taken place in the House, the Bloc has never acknowledged the value of tax points. That was said earlier by the hon. member across the way when talking about the federal government's contribution to health care in the province of Quebec. Just to clarify the record about health care and the value of tax points and cash, it is 30 cents of every dollar rather than the 14 cents as the hon. member said.

Again, the Bloc members have made a statement that they want first ministers to get together to discuss the issue of more tax points for the provinces, yet at the same time they never acknowledged the value of tax points. So I have some difficulty with that position. It is quite a contradiction on their part.

Also, there is no consensus among provinces on this issue. Unlike Quebec, many provinces in this federation would prefer additional cash funding instead of additional tax points. We would have to also acknowledge that the change the hon. members across the way are suggesting would lead to some inequities among provinces as well.

Let me point to an example where tax points are worth more in prosperous provinces than in less prosperous ones. One personal income tax point is worth \$35 per capita in Ontario but only \$17 in Newfoundland in the year 2000.

The cash component of the CHST ensures that all provinces get the same amount of funding per capita. Also, and this may be a point that the hon. member from the Bloc has great difficulty with, the cash transfers also enable the federal government to uphold national values. I point to the principles of the Canada Health Act and the prohibition on the minimum periods of provincial residency to receive social assistance. We had a situation like that recently where the cash transfers actually acted as a lever to ensure some upholding of national values.

Supply

The other point that the members across the way made was the issue of fiscal imbalance between the federal government and the provinces.

• (1045)

If we look at the facts, there is no fiscal imbalance between the federal and provincial governments. The majority of provinces, 7 out of 10, had balanced budgets in 2000-01 and 8 out of 10 provinces are projecting surpluses for the year 2001-02. The fact that provinces can balance their budgets and reduce taxes means that they have sufficient resources at their disposal. I should also point out that all provinces have reduced taxes since 1995.

I also have some difficulty with the assertion of the Bloc member that in some way provinces are junior players in the Canadian federation. That is not the case. Provinces are not junior players in the Canadian federation.

They have access to all major tax bases open to the federal government. They levy personal and corporate income taxes as well as sales taxes. They also have unique access to some of the fastest growing revenue sources. While there is some debate about the revenue sources, the provinces nonetheless have access to revenue sources like gaming, liquor and natural resources. When I look at the facts I have to disagree with the hon. member across the way when he talks about the imbalance that exists between the federal and provincial governments.

I would acknowledge, as would any member of the House, that provinces obviously face spending pressures. I hear it every day in my community, as I am sure many members hear it in their communities. The provinces face pressure with respect to health care and education. We all know that those two issues are extremely important to Canadians. Members across the way, particularly those in the Bloc, must acknowledge that the federal government recently announced a 35% increase in cash funding in five years in support of these programs through the Canada health and social transfer.

The Bloc put forward some points this morning with which I would agree. There are spending pressures in the provinces with respect to health care and education. It is incumbent upon the Bloc to recognize that the national government has played a role in helping to ease those pressures and to reflect what Canadians are telling federal members of parliament, for example that health care and education are priorities, so that the national government responds to those issues.

It is also incumbent upon Bloc members to recognize the value of tax points. Perhaps they are doing that now. Hopefully later today those members will rise to acknowledge the value of tax points. Up to this debate Bloc members have consistently ignored tax points and have said that they have no value. Yet today they are

asking for more tax points and for a first ministers meeting to attempt to accomplish that.

It is important to point out the financial picture we are facing when we talk about the relationship between the federal government and the provinces. Compared to the provinces, the national government faces a much higher debt burden. In fact federal spending on interest payments is 25 cents per dollar of revenue and provincial spending on interest payments is only 12 cents per dollar.

We certainly face some challenges as a national government. We are prepared to deal with them. We are attempting to pay down the debt at the same time. We have always maintained in the House, since coming to office in 1993, that our approach would be a balanced one. We would not take an extreme approach to governing and working with Canadians.

The hon. member across the way also made the point this morning that the national government was running surpluses at the expense of provincial fiscal stability. I have to disagree with that statement. Our federal priorities are reflected in the recent actions that have been taken, namely the \$100 billion in tax reductions to provide savings to Canadians and to spur economic growth. That type of tax plan will help provincial economies to prosper.

• (1050)

Since coming to the House I have consistently stated as a member of parliament that there is a relationship between a reduction in tax and the economy growing. I believe we must maintain a balanced approach. We do not want to jeopardize the very real priorities of Canadians, those being health and education.

There have been substantial increases in transfers to the provinces to support social programs. To date Bloc members have not recognized the value of tax points. I am hoping that today they will stand to recognize the value of tax points and recognize the role the national government plays in reflecting Canadian priorities and in supporting provinces in partnership to address provincial issues, which in many cases are national issues as well.

Tax points are a very important way in which the federal government transfers money to the provinces. My colleagues on this side of the House will be explaining how important they are. It is not the only way in which transfers occur. I would like to spend a few moments telling the House and Canadians about some of the other ways the national government transfers funds to provincial governments. If we want to understand what is happening and if we want to see the whole picture, we have to consider the full range of ways in which the federal government transfers resources to the provinces.

I will focus for a moment on the province of Quebec and make reference to other ways the province of Quebec receives funds

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from national programs. The province of Quebec receives 26% of federal research dollars, 33% of industrial R and D, 32% of health research funds, 26% of infrastructure dollars, 30% of CFI, 29% of funds allocated for research chairs, and 50% of technology partnership funds.

When we talk about the transfer of funds it is incumbent upon everyone to recognize that the transfer of dollars to provinces occurs in a number of ways, tax points being one. It is refreshing to hear that the Bloc is now recognizing that tax points have value. Cash transfers are another way of transferring money to provinces.

Let us look at the Canada health and social transfer. It is certainly what many Canadians would say is the most important transfer to provinces because of the programs it funds and in turn what those programs mean for families and their communities. Out of that transfer the provinces fund health care, post-secondary education, social assistance, social services and early childhood education.

I should like to present some historical context because it is important to go back in history, as my hon. friends across the way often do, to understand what we are talking about this morning. In 1996 the CHST, a single consolidated transfer, replaced two programs. It replaced the established programs financing which supported health and post-secondary education and the Canada assistance plan which contributed to social assistance.

The CHST transfers money to provinces and territories that helps fund these programs. At the same time, I emphasize, it gives provinces the flexibility to allocate those dollars to their own priorities.

• (1055)

Last September, some eight months ago, the Prime Minister and first ministers from across the country reached an agreement that included a strengthening of the financial commitment to the CHST. It is important to note as well that the first ministers gave Canadians their commitment to strengthen and renew health care services through partnership and collaboration, with the federal government being an equal partner in this renewal.

That commitment set out a five year stable funding plan which would mean a transferring of an additional \$21.1 billion through the CHST. That agreement had an immediate impact. In 2001-02 the provinces and territories will receive \$18.3 billion in cash. That will significantly help to accommodate some of the increasing pressures outlined this morning with respect to the many CHST funded programs. In fact that number will rise steadily to \$21 billion by 2005-06.

The funding commitment was also accompanied by a renewed commitment to the Canadian health care system which was the

latest in a series of important CHST related investments on the part of the federal government.

I should like to take a minute to think about some of the measures the federal government has announced in the last few years. In 1998 we raised the annual CHST cash floor to \$12.5 billion. The 1999 budget announced an \$11.5 billion cash investment in health. The 2000 budget provided a further \$2.5 billion in cash. In the last two years alone the federal government announced CHST cash transfers of over \$25 billion.

As I said at the outset, our debate today has to consider the whole picture when we talk about transfers to the provinces. Certainly the CHST may be the most important transfer to Canadians, but when we look at the way dollars are transferred to provinces we would be hard pressed to think of a transfer more typically Canadian than equalization.

In terms of policy, equalization means that the federal government helps to reduce disparities among provinces and regions and helps to ensure that all Canadians, regardless of where they live, have access to quality services.

In closing, although I could probably speak to this issue for the entire day, it is fair to say I have some difficulty in understanding the rationale behind the Bloc proposing the motion. Back in 1993-94 the Bloc never recognized the value of tax points. Now it is asking for more tax points. Its members talk about the fiscal imbalance between the federal government and the provinces. That is clearly false. Since 1993 we have been very open and transparent with respect to surplus and with respect to building budgets.

I cannot believe for one moment that the Bloc has any real interest in pursuing the debate and dealing with the facts, given that its only purpose is to continue to bring forward statements that are questionable in some cases. I certainly respect the opinion of my hon. colleagues across the way, but I respectfully disagree with a number of points they made this morning.

[*Translation*]

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ): Madam Speaker, I listened carefully to the member for Stoney Creek. It is not out of ignorance that he made such ill-chosen remarks. He is familiar with the issue since he was, for a few years, the Parliamentary Secretary to the Minister of Finance. I find it hard to understand how he is approaching the issue and how he can make such ill-advised comments.

First, he said that the Bloc Québécois never cared about tax points. The fact is that we have cared about them since we first got here. As early as 1994, we suggested that the transfer of tax points to the provinces, particularly Quebec, would provide some protection against the deep cuts made by the Minister of Finance—who was putting his fiscal house in order at the expense of others—to

the Canada social transfer, for health, education and income support.

• (1100)

We were the first ones in 1994 to raise the possibility of transferring tax points in order to free up some area of taxation for the provincial governments, so that they could protect themselves against the federal government's slash and burn approach. Second, we were also concerned about the interpretation made by these professional demagogues of the use of tax points.

In the 1960s, the federal government transferred tax points, specifically at the Quebec City conference in 1964. Mr. Pearson was much more open-minded than this bunch of demagogues. In 1977, he transferred other tax points, freeing up the tax field and telling the provinces "From now on, I will look after my responsibilities in certain areas of jurisdiction, and I leave the tax field to you. You can collect taxes in my stead".

Once you sell your house, you no longer have a say in what goes on there. That is the business of the new owner.

It is the same thing with the tax points. The Bloc Quebecois is denouncing the demagogic use the Liberals are making of these tax points transferred in the 1960s and 1970s. Do members realize what this allows them to say as a result? It allows them to say "On the contrary, we increased the Canada social transfer".

The government has managed to almost double the value of federal transfers by factoring in old tax points over which it no longer has any say; the house has been sold. There is a new owner. The government's figures are misleading.

So, I ask the member for Stoney Creek how he can grandstand on an issue as important as this. He will recall, if he knows his Canadian history—although he does not seem to; it is a bit odd that a sovereignist is instructing a federalist on Canadian history—that in the 1960s and 1970s, we were looking at a fiscal imbalance. In those days, there were intelligent people on both sides, in Quebec and in the rest of Canada, who could sit down together and negotiate new tax sharing agreements. Could we see a little more intelligence and a little less grandstanding and cynicism on the other side of the House?

[English]

Mr. Tony Valeri: Madam Speaker, I am always interested to hear from my hon. colleague along the way. I had the opportunity to spend a bit more time with him when I was much more involved as a parliamentary secretary with respect to finance issues and the finance committee. His enthusiasm for his perspective has not diminished at all.

I still find it somewhat ironic that perhaps he was not listening earlier this morning when two members of his party were in debate

Supply

and were talking about the participation of or the expenditure made by the national government with respect to health care in his province. I stand to be corrected, but I certainly understood the member to be suggesting that we were only participating to the tune of some 14 cents per dollar. If we calculate the cash transfer and include the tax points it is closer to 30 cents per dollar.

The hon. member might want to stand in his place and say that when members of his party first got here they acknowledged the tax points and the value of tax points. However when putting forward their position they continue in their rhetoric and continue to ignore the value of tax points and only speak about the cash portion.

If we take the position put forward by the hon. member, and this occurred a number of years ago, we must ignore the room that was ceded to the provinces with respect to tax points. I am not sure whether the hon. member is suggesting that we were to freeze the value of tax points back then. If we look at the value of those tax points today and the room that was ceded to the provinces, they are worth six times more today than in 1977. They were worth \$2.7 billion then and today they are worth \$15.7 billion.

We cannot have it both ways. While we acknowledge that the tax room was ceded to the provinces at that time, we cannot ignore the fact that those tax points were ceded by a national government. When we talk about transfers to provinces we must continue to look at the whole picture, and the whole picture involves the transfer of cash and the transfer of points.

• (1105)

When I meet with my constituents, and I am sure many members across the way meet with theirs, they are pressing the national government to ensure that it maintains some type of system of equality across Canada. Cash transfers are the way that is done. That is the way we uphold Canadian values and, for instance, the Canada Health Act. Equalization is the way we attempt to maintain equality of services for all Canadians across the country when some provinces are more prosperous than others.

We understand and accept that provinces have funding challenges, but it is somewhat irresponsible to suggest that the national government has played no role in trying to assist provinces. We must define the way we participate in that partnership. That is quite clear.

We help fund health care and post-secondary education and we do so by tax points and cash. I ask the hon. member to not only recognize that tax points were ceded back then but to acknowledge that tax points play a role in transfers to the provinces.

Mr. Scott Reid (Lanark—Carleton, Canadian Alliance): Madam Speaker, the member was erudite and thorough in his response. He made the point that the value of tax points ceded in

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the 1970s has grown sixfold. I do not know if that is in purely nominal terms or in real terms. I suspect it is in nominal terms. Nevertheless they have grown over time.

That is the great virtue of tax points as opposed to simple transfers that take place through the equalization system or through the CHST. Such transfers do not grow and therefore do not respond to the growing need for provincial expenditures in health care, education and other areas that will grow over time, particularly health care as the population ages.

What justification can be given for not ensuring that our health care system, which is by consensus across the country the most valuable of all our social programs, is funded through an expanding, guaranteed tax base that cannot be cut as was the CHST or its predecessor in the early to mid-1990s by the Liberal government? Those cuts left provinces in the lurch and created a funding crisis which continues to this day, notwithstanding the partial and very tardy, if I may say, return of some of those funds to the provinces.

Looking at those two options, what would be the principal reason for denying provinces a predictable tax base whereby they could operate the most important of all social programs at their disposal?

Mr. Tony Valeri: Madam Speaker, I hope the hon. member across the way does not disagree with what I am about to say. He acknowledged that tax points continue to grow and will continue to grow. However it is important to recognize, and I hear this from my constituents on a consistent basis, that Canadians want to see the national government play a role in national programs.

The province of British Columbia wanted to impose a residency requirement for the collection of social assistance. The only reason the decision was reversed was that the national government would have held back a cash transfer which would have imposed and reflected what Canadians were saying. They want national programs which, if not exactly the same from province to province, at least adhere to specific criteria to some extent like the health care program and social assistance programs.

Why is there a cash portion in our transfers? It is to ensure that national standards or a national approach to these programs is clearly evident. We have seen that with respect to social assistance and we want to see it with respect to health care.

• (1110)

Mr. Stockwell Day (Leader of the Opposition, Canadian Alliance): Madam Speaker, at the start of my comments I advise that I will be splitting my time today with the member for Lanark—Carleton.

Relating to the response and the question we have just heard, the British Columbia government passed a requirement that for healthy, employable people moving into the province, and it was very clear on that, there would be a three month residency requirement before they could access social services. That was the B.C. government supported by its population.

Because it ran counter to federal Liberal philosophy that the program should be available even to healthy, able-bodied people, the government put pressure on the B.C. government and said that it would fine that government every day the policy was in place. That was in direct contradiction to the democratic request of the people of British Columbia.

If we asked most Canadians whether there should be some kind of stipulation for healthy, employable people not to be able to immediately access social welfare programs, I think most would agree that there should be some kind of regulation and would not be in agreement with the federal Liberals.

It gives me great pleasure to rise today to concur with the Bloc Québécois on the motion. I am being very careful in saying that. It is not often I am able to do so. On many issues such as the great question of national unity we do not agree with the Bloc, but wherever possible, as is the Canadian way, we strive to find common ground and proceed from there.

[*Translation*]

Today we are telling the government there is a common ground. We are asking the government to meet with the provinces to discuss the transfer of tax points.

[*English*]

The transfer of tax points was actually our policy before the formation of the Canadian Alliance. During the last election campaign the Canadian Alliance once again made the proposal to transfer more tax points to the provinces. It is therefore appropriate that we call upon the government to meet with the provinces to discuss, at the very least, the next step in a process which was begun by the Liberals in 1977. With the usual glacier-like speed of government we are trying to get the issue addressed.

All stakeholders should meet to discuss such a change because it affects all provinces. Therefore it should not be done unilaterally as the federal Liberals like to do on too many occasions. It is important to hear from all provinces so the merits and demerits can be properly considered.

[*Translation*]

Governments across Canada want to provide comparable services to all their citizens, regardless of where they live. We want these principles to be upheld; they are part of the Canadian tradition.

*Supply**[English]*

Allow me to put the issue in context by making an historical reference. The Rowell-Sirois commission, which was struck in 1937, made a proposal that only the dominion should levy income taxes. Although the proposal was initially rejected, when the war broke out it was adopted by the provinces strictly as a wartime measure. The provinces abandoned their income taxes and in return were supposed to receive unconditional payments to compensate them for that lost revenue.

In its agreements with each province the federal government undertook that at the end of the war it would reduce federal taxes so as again to create room for the provinces to resume levying their income taxes. In 1977 the Liberal government of the day ceded back to the provinces some of the tax room that the federal government had taken away. However the arrangement has been frozen since 1977.

[Translation]

The compromises provincial governments had to make 50 years ago to support the war effort must be recognized. The current Liberal government must act accordingly. We are not asking it to be generous, not at all, rather we are asking it to give back to the provinces the powers that are rightfully theirs.

[English]

A further transfer of tax points would also address two fundamental problems. The first is the present mismatch between the responsibilities of the provinces and the power they have to tax.

● (1115)

Last year three noted economists wrote a paper arguing that there “is a fundamental mismatch between the taxing power of the federal government and its restricted spending jurisdiction”. That is, the federal government simply takes in too much money compared to its constitutional responsibilities. It is an imbalance.

That generates the political problem of democratic accountability, since the government that raises the taxes, in this case the federal government, does not actually spend the money. Instead, the federal government transfers cash back to the provinces in the form of the Canada health and social transfer.

This means the federal government can cut the transfer arbitrarily, as the federal Liberals have done throughout their time in office. It has been their consistent approach. This has forced provinces to make drastic cuts in their areas of social spending, notably health care, and also undergo the consequent displeasure of the electorate. If the government does not transfer the full amount of resource, then provinces have to cutback and experience voter displeasure.

The CHST is still lower today than when the Liberals came to power eight years ago. They have removed a cumulative \$25 billion from the CHST, but since they do not deliver the programs funded by the CHST the provinces then wrongly take the political blame for those cutbacks.

A further tax point transfer would help to realign democratic accountability, and that is what we are talking about. No longer would the federal government be able to reduce funding unilaterally and then place the blame for cutbacks on the provinces, as the federal Liberals have done consistently in the past.

The second problem is a related one. It simply has to do with trust. For the last seven years the federal government has rejected its responsibility for health, social and post-secondary education spending. As a matter of fact, it has spent over \$100 billion on grants and contributions, while sacrificing the most important social programs which Canadians want.

Canadians are asking us how the federal government can then be trusted in the future to preserve that which is most valuable to Canadians? There is a lack of trust because of the history of the federal Liberals in this area. I believe that if the federal government feels it is necessary it will again act in a cynical, political way to abandon health care, if it is health care where the pressure is, or off-load cuts to education and social assistance to the provinces in order to preserve other items for their own public image. That has been their past history. I believe we run the risk of seeing that to be their future performance.

The present system of fiscal transfers encourages federal irresponsibility. The logical step to restore confidence and trust in the security of funding for our social programs is to realign the taxing power with the spending power, as indicated in our constitution, to make sure the government, which has the constitutional responsibility to deliver program, also has the power to go to its electorate to raise the money to pay for the program.

Can we trust the provinces? That is the next fair question. I believe we can. We can trust the provinces because those governments are all returned to office, or replaced and new ones brought in, by the very electors who share a broad democratic consensus for the need to have strong support for the social programs, especially health care. I remind the House that while the federal government was cutting over \$6 billion per year from cash transfers for health, the provinces were increasing health care spending. They have proven their level of trust. They have earned the trust of Canadians and the government has not.

[Translation]

The issue of tax point transfers enjoys broad support among not only the provinces, but also the opposition parties in the House of Commons.

*Supply**[English]*

This area is one of great concern, as we have indicated. In 1997 Jean Charest's platform promised to convert \$12.5 billion in CHST cash transfers to tax points in exchange for reaching a covenant defining federal and provincial roles in supporting health, post-secondary education and social programs.

[Translation]

This is an excellent position, which we fully support and about which we continue to be in agreement with Mr. Charest.

• (1120)

Accordingly we were very surprised and disappointed last week when we read what the current Conservative leader had told *Le Soleil*. I want to quote from the article:

Bernard Landry faces an uphill battle in bringing Ottawa to agree to the transfer of tax points to the provinces. Even the Conservative leader is refusing to get involved in this fight. For the time being, in any case, it is not one of his priorities. Therefore he will not champion it in the House of Commons or anywhere else in Canada.

[English]

That is why we support the Bloc motion.

Mr. Rob Anders (Calgary West, Canadian Alliance): Madam Speaker, does the Leader of the Opposition agree that the Liberals should wait until after the summer before the House of Commons votes on the MP compensation package, so that MPs have a chance to hear from their constituents before voting on a pay increase?

Mr. Stockwell Day: Mr. Speaker, the question is good. Because of the time allotted for this particular debate, I do not want to depart from the importance of the subject of the tax point transfer.

We will address the question of the MP pension plan because that is a transfer of cash to members of parliament, and citizens really want to know where we stand on that. It is a very important issue, but I do not want to deflect from this issue of calling together the provinces to talk about transferring the tax points to them, which the federal Liberal government took away some years ago.

Mr. Bill Blaikie (Winnipeg—Transcona, NDP): Madam Speaker, I have a question for the Leader of the Opposition.

Could the Leader of the Opposition tell us whether his party is committed, regardless of its position on tax points, to maintaining or perhaps even expanding the cash portion of the transfer from the federal government to the provinces with respect to health care and post-secondary education?

From our point of view, the cash transfer is very important to maintain national standards. If we do not have anything to

withdraw, or not transfer, or if national standards are not being met, for instance the conditions of the Canada Health Act, then the federal government loses its power to enforce national standards.

Could the Leader of the Opposition tell us whether his party is committed to maintaining the cash floor either as is or in an enhanced way, and whether or not his position on tax points in any way suggests that the cash floor should be eliminated?

Mr. Stockwell Day: Madam Speaker, the ability of the provinces to continue to finance their programs under CHST, especially health care, is critically important. I can answer the hon. member's question by repeating the Canadian Alliance position, especially related to health care.

Not only should we maintain the five principles of the Canada Health Act, but we should add a sixth principle which would legislate the funding level for health below which the federal government could not go. That would put in place the assurance our citizens need that we would not see for political purposes the arbitrary reduction of the value of that portion.

Therefore, we would be not only supporting the cash transfer, but also the minimal level and restoring the full amount of the cash transfer, which still has not been done to the 1994-95 levels. Therefore, restore it to those levels and put into law the principle of a legislated amount below which the federal government could not go.

Mr. Dick Proctor (Palliser, NDP): Madam Speaker, I listened with interest to the leader's remarks in this area. In his previous capacity as the treasurer for the province of Alberta, he will know, in terms of the farm situation, that in recent years the Liberal government made much of the fact that funding for farm aid programs was in the 60:40 ratio; 60% from the federal government and 40% from the provinces. The government would have us believe that has been the case since confederation. However there are all kinds of examples to indicate that it is a relatively new phenomenon.

I just came from a meeting of the agriculture committee at which it was made very clear that the have provinces, which would include Alberta, Ontario and Quebec, were probably better able to finance farm programs, such as the AIDA program and now the Canadian farm income program, than some of the have not provinces, including Manitoba and Saskatchewan at this point in time, as well as I suppose the Atlantic provinces.

• (1125)

Could the Leader of the Opposition comment on that and indicate what his party feels should be done in this instance?

Supply

Mr. Stockwell Day: Madam Speaker, in response to the hon. member, there is an equity even in terms of how certain agricultural policy is applied. We have proposed a number of very clear initiatives that would help the entire agricultural community, regardless of whether they are so-called have or have not provinces.

First, there needs to be an aggressive initiative on the part of the federal government to negotiate downward with the United States and the EU community the subsidies which right now put us at a competitive disadvantage. For instance, it has not put together the leveraging power of the Cairns Group of countries on the agricultural side to pressure the United States. The federal government needs to do that.

It also needs to deal with the question of the Canadian Wheat Board. There is an inequity among provinces. The Canadian Wheat Board binds western provinces to market their grain through that wheat board, not having the choice or the ability for alternate sources of marketing. Ontario and Quebec are not bound by that. In fact, a farmer wanting to look at value-added processing would have to sell his or her product to the wheat board, buy it back at a higher rate and also add in the grain transportation cost even though there might not be any transport of the grain. That needs to be dealt with.

In terms of grain transportation, efficiency and market realities have to be put into the grain transportation system.

On the tax side, the taxes on farmers and on agricultural business have to be significantly reduced so we get the value added going in. The agriculture fees the federal government charges need to be reduced; \$300 million alone just on the fertilizer. As well, diesel costs, excise tax and the GST on fuels should be lowered so the government is not taxing on tax. Those are a number of things that need to be done in the agricultural community.

Mr. Scott Reid (Lanark—Carleton, Canadian Alliance): Madam Speaker, I will start by deviating from the prepared remarks I have and comment on the question that was raised by the hon. member for Winnipeg—Transcona. Presumably he was referring to CHST payments and Bloc grants.

I was involved as the Reform Party's senior researcher in 1995 or 1996 when the CHST legislation was proposed. It was really a rehashing of the legislation that permitted the former Canada assistance plan and the established programs financing plan to exist. We put forward some detailed amendments which, like all amendments that came forward in committee, were of course voted down and never given a fair hearing.

At that time I looked at the details of funding and how it was withheld when non-compliance occurred with federal standards under the CHST. What was striking about it was how utterly discretionary it was.

For instance, the Minister of Health decided whether a violation has taken place. The Minister of Health at his or her sole discretion decides whether or not a penalty is appropriate, what the amount of that penalty should be, whether it should apply in one province but perhaps not in another province and if compliance has not been achieved whether the penalty should continue. What we see is a situation in which we do not have a standard that is enforced by any kind of impartial mechanism.

We have a standard that is enforced, if it is enforced at all, based on political considerations. Is it a province in which the government holds a lot of seats? Is it a province in which it might hold a lot of seats in the future, if it does the right thing? Is it a province that is assertive in standing up for its rights or is it one that can be easily intimidated by the government? Is there an election coming? Has an election just occurred? Is this going to play well elsewhere in the country? There is a whole series of considerations that have nothing to do with providing for satisfactory health care.

We made recommendations at that time that would have created some form of right of appeal of citizens or of provincial governments before the Federal Court of Canada. The court would then make the decision whether or not a standard was being violated.

● (1130)

It would also have the salutary effect of actually defining some of the national standards under the Canada Health Act, which are often not as clear as they ought to be. That would have been a real step forward. All of that was put aside. Much of it was actually incorporated in the 1997 Conservative platform which my leader cited today.

The idea of trying to get co-operative national standards is a bit more detailed than finding some form of standard to which there is an agreement to co-operate with and therefore an enforcement mechanism. None of that has been done. Therefore we would find that the Canada Health Act and the block transfers that are given under the Canada health and social transfer would continue to be as they are now, that is, extremely ineffective in ensuring enforceable, meaningful national standards.

I would now like to draw the House's attention to the fact that the motion we are debating today fits within a growing stream of voices from across the country that are calling for an end to the imbalance that exists under which the provinces have the vast majority of the spending needs. It is because they are assigned the most important social programs under our constitution and under which the federal government draws in most of the revenue and therefore redistributes it. This is a problem that has existed for a very long time.

If we look back to Confederation, the Fathers of Confederation provided for per capita cash transfers that continue to this day but

Supply

they are very small because they were in nominal dollars and the economy has grown and inflation has taken place. Nevertheless, there was a system set in place for transfers to provinces and, I should mention, these were non-discretionary. They could not be withheld for any reason. Therefore there were some assurances the provinces would operate effectively within their spheres of jurisdiction.

Listening to the voices in recent decades over the need to return to the original intent and spirit of the constitution, we find that many of the voices have come from Quebec.

[Translation]

For example, there was the Tremblay Commission in the 1950s, last century. There was former Prime Minister Pierre Elliott Trudeau, who said in 1957 that there was no real basis for the federal spending authority in the constitution.

There are also the interim report of the Quebec Liberal Party special committee on the political and constitutional future of Quebec society that came out in January of this year, the report by the constitutional commission of Action démocratique du Québec and the Séguin commission.

[English]

All of these groups are talking about the transfer of tax points.

Outside of Quebec we see the same concerns being raised with an ever clearer voice. For example, an eminent scholar, Thomas Courchene, has recommended some form of tax point solution to the fiscal imbalance that exists in Canada. The so called firewalls group in Alberta has called for something of this nature.

The Canadian Alliance has been a consistent voice in favour of using some form of tax point system that would ensure our economy grows and that the health care needs of our aging population would be met without going through the song, dance and chicanery that went on when the government cut its own expenditures by a mere 6%. At the same time as it cut transfers to the provinces for health care and education, by I believe 20% to 25%, it also tried to lay the blame for the lack of health care spending on the provinces.

The tax point solution was also the policy of the former Reform Party. It was an excellent policy and one that we can all stand behind. I was involved in actually drafting the policy so I will read it for the benefit of the House. It states:

The Reform Party supports the establishment of an agreement to replace federal cash grants to the provinces with unconditional transfers of the tax base of each province, adjusted for differential provincial economic development so that the provincial tax revenues collected in each province will grow in parallel with the growth in the province's economy and population. This will allow the content and particulars

of provincial policy to be set by provincial government clearly accountable to the electorate of that province.

● (1135)

Something needs to be said when the point is made about being accountable to the electorate of a province. Sometimes it is suggested that the federal government ought to impose national standards because the federal government knows best what Canadians care about and what is important to them. That means we must accept that the voter who goes out and casts a vote in the province of Ontario or Quebec is acting less responsibly and has less of a social conscience at that moment than he or she does when casting a ballot in the federal election. It infers that somehow there is this schizophrenia in the Canadian voter, that we are a hard-hearted and uncaring people when we vote provincially but when we vote federally, boy we sure do care.

That is obvious nonsense and the only way it gets through is because there has been a really concerted effort on that side of the House to maintain that fiction. There is a very powerful vested interest in saying that the Liberals are the responsible ones here, that they are the ones who dictate what is good, fair and right in the country and that they protect our interests.

As I mentioned in my comments to the hon. member for Winnipeg—Transcona, the record shows that the federal government's performance in this area has been appalling. It has been shameful, inconsistent and politically based. It has not been based upon any kind of fairness or objectivity.

When other parties such as our own have come forward and proposed ways in which it could be made fair, objective and actually guarantee that health care and other national standards would be maintained through an agreed upon, consensual process that would be enforceable and would reflect the will of Canadian voters, it has been rejected out of hand without any hearing whatsoever. That is unfair and it should be changed.

The tax point solution proposed by the eminent authorities I have cited and also by the Bloc Québécois today is the best solution. I encourage all members in the House to vote for it.

Mr. Bill Blaikie (Winnipeg—Transcona, NDP): Madam Speaker, the member who just spoke was responding to something I said earlier. I hope I have the time to take that up with him because he makes a good point when he talks about how national standards are enforced.

However, while I still might have the ear of the Leader of the Opposition, it seems to me that there was a contradiction between what the member just said and what the Leader of the Opposition said in response to me when I asked him whether or not his party was committed to maintaining the cash transfers. He said that the Canadian Alliance was committed to it, committed to legislating it

into law and that the cash transfer could not be unilaterally reduced.

Minutes later the hon. member got up and read from a Reform Party policy resolution that he said he had something to do with, which was the policy of the Reform Party and now the policy of the Canadian Alliance. He has the resolution in front of him but I do not. He may want to have another look at it as it talks about the total conversion of all cash transfers to tax points.

Someone is not levelling with us here. Is it the policy of the Canadian Alliance to convert all cash transfers to tax points? That certainly is what the member just read into the record, as the blues will show. If that is the policy then what was the Leader of the Opposition doing telling me that it is the policy of the Canadian Alliance to legislate the cash transfers? Is the Canadian Alliance legislating against itself? Is it going to legislate cash transfers so that when it forms the government it cannot implement its own policy? What is going on here?

Mr. Scott Reid: Madam Speaker, I cannot find the contradiction that the hon. member cites but I do point out that part of what a government does is legislate so that it cannot act in an irresponsible manner. That is why we have a constitution in the country.

We make amendments to the constitution that are not amendable by one government alone. Depending upon the amending formula, it requires unanimity, seven provinces or 50% of the population. A couple of other amending formulas for exceptional cases require different levels of consent.

However the point is to legislate something that one cannot change oneself. We did that with the Canada pension plan, as the hon. member will know, so that the federal government could not unilaterally change the rules under which Canadians enjoy the potential benefits of that plan. It was an amending formula which, at least on paper, was more strict than that of the seven provinces or 50% formula in place under that plan.

● (1140)

One does act in this manner. When we speak of creating binding agreements with the provinces, the point is that we bind ourselves and future governments so that they must act in a consensual manner and they must find the support of those provinces. This ensures that a government, which is almost always elected by less than 50% of the population until we have some kind of electoral reform, cannot act without seeking some kind of broader consensus which actually reflects the will of the majority of Canadians.

I do not see what the contradiction is in saying that we would legislate to bind our own hands.

Supply

Mr. Bill Blaikie: The member should read the policy and resolution into the record again and let the House judge.

Mr. Scott Reid: Madam Speaker, I invite the member to check the record. We are not in favour of striking down the CHST. We are in favour of transferring some of the value of cash transfers to the provinces into tax points.

Mr. Bill Blaikie: It did not say some. It said all.

Mr. Scott Reid: It says cash grants. It does not say all and it does not say some. My understanding is that if we can find a way of getting the government to be more generous with cash transfers we would be very happy about that. We will encourage that when we get the opportunity to do so.

When we have the opportunity to ensure that some of those transfers, and we do not know the percentage but whatever percentage we can wrangle out of the government, could be put into tax points to ensure that there would be a guaranteed growing base for health care and education in the provinces over time, we would favour that. When we see the way in which tax points grow over time thereby ensuring—

The Acting Speaker (Ms. Bakopanos): Resuming debate, the hon. member for Winnipeg—Transcona.

Mr. Bill Blaikie (Winnipeg—Transcona, NDP): Madam Speaker, all I did was invite the hon. member to read into the record one more time exactly what he read into the record a few minutes ago.

On the face of it, if members were able to hear it, they would see that it was in direct contradiction to what the Leader of the Opposition told me in answer to a question that I asked him. The member was so unwilling that he quickly disowned his own policy. I could hear the cock crowing three times all the while that I was asking the member to get up and read it into the record.

It is his own policy. Surely he is not ashamed of it. Surely he would have been willing to read it into the record one more time, except it would have become obvious at that point that we get mixed messages from the Canadian Alliance on the question of federal transfer payments.

Mr. Roy Bailey: You invented mixed messages.

Mr. Scott Reid: I guess it is not a mixed message to favour—

The Acting Speaker (Ms. Bakopanos): Order, please. I implore hon. members to give the same respect to the member as was given to the other members today. There will be opportunity during questions and comments to put questions to the hon. member.

Mr. Bill Blaikie: Madam Speaker, when we hit on something they start to yelp. We have hit on something that is a continuing

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contradiction within the Canadian Alliance Party. Its real policy is that it wants to get rid of cash transfers altogether. It is right in the policy that the member read into the House. It wants to transfer the tax points and return to basically a kind of pre-World War II confederation.

The Leader of the Opposition spoke about the kind of Canada we had before World War II and that it was only because of the war the provinces transferred these tax points to the federal government. It was a very clear indication that the policy of the Alliance Party is to return to that pre-war situation. Sometimes we get the feeling that it wants to return to pre-war social policies as well, but that is another matter I will not get into.

• (1145)

I want to say to the hon. member, who is somewhat unhappy with me at the moment, that I was actually intending to get up and agree with something he said in his speech before he read that policy into the record which so contradicted his own leader. He made a good point about national standards and the fact that we do not have a way of enforcing national standards that is not open to the charge of being a political process or a political judgment.

At the time of the debate around the social union, the NDP was open, and said so in a public document, to the idea of establishing national standards by mutual agreement between the federal government and the provinces. We wanted some kind of impartial mechanism for determining whether national standards had been violated, somewhat along the lines of what the member just spoke about. The difference is that we think the cash transfers must be maintained and enhanced, and that the federal government must bring them back to where they were and beyond. In that way the government would not only have the mechanism for enforcing it, which is to say withdrawing the cash transfers, but it would have the moral authority to do so because it would be playing its full role in the partnership that was established earlier on with respect to various social programs.

The problem is not that the provinces do not have the tax points. The problem is that the federal government is not living up to its part of the bargain. If the federal government were living up to its part of the bargain and maintaining the partnership, there would be no cry on the part of the provinces for tax points because they would be getting the kind of cash that they should be getting. Instead, we do not have that situation. In spite of all the hoopla last August about the health accord, the federal government is still not putting into health care and education what they were putting in prior to the 1995 budget. This is a fact that cannot be truthfully denied by anyone.

If the federal government were willing to do that then we would have a much different situation. I think we would still have the Bloc and the Alliance calling for the conversion of cash grants to tax points because that is their vision of Confederation. In the case

of the Alliance, it wants a more decentralized Confederation. I am not sure whether the Bloc Quebecois is thinking about Confederation or about Quebec, but it does want more powers for Quebec and less ability on the part of the federal government to enforce national standards because it rejects the very notion of national standards.

Having said that, I think all members can see that the NDP cannot support the Bloc motion, though we think a first ministers' meeting to discuss this would be a good idea. It is not the idea of the meeting that we are against. There is probably good reason for having a meeting. First ministers would probably like an opportunity and should have an opportunity to make the case for the federal government to more fully live up to the commitments it made years ago when it brought in medicare. At that time medicare was to be a 50:50 partnership. Canadians certainly do not have that today.

A good point was made by the Leader of the Opposition. He said that the provinces have all these responsibilities while the federal government has the tax points and is able to raise the money. The federal government should be transferring that money to the provinces to the extent that they need it to implement programs brought in by the federal government. The solution in our mind is for the federal government to do its job and do it well. It must adequately fund medicare, post-secondary education and social assistance through equalization. That is where the solution lies from the point of view of the NDP. The solution does not lie in giving up on the Canadian project, on national standards and on national social programs. The solution is not to allow the provinces to take over these programs as the Alliance and the Bloc would like to see happen.

That is the NDP view. We agree with the portion of the motion that calls for a meeting but because the motion prejudices the outcome of the meeting we cannot agree with it nor support it. If the motion proposed a meeting to discuss the problems with an open mind as to how they might be solved, that would be a different matter, but that is not the motion we have before us.

• (1150)

The Leader of the Opposition said that the problem was lack of trust in the federal government. I agree. Canadians, by and large, although we could not tell from the way they voted, have a lack of trust in the federal government. Regardless of the political choices they make, they know when something is wrong. They know the federal government is not putting the kind of money into health care that it used to or there would not be these problems.

I disagree with the Leader of the Opposition and his colleague when they implied that Canadians have reason to trust their provincial governments. The problem for a lot of Canadians is that they are caught between a federal government that will not adequately fund a one tier health care system and certain provincial governments that are interested in introducing a two tier health care system and a more privatized health care system. They want to

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introduce the private sector into the health care system even more than it is now.

Canadians face a dilemma. They must choose between a federal government that wants to starve the one tier system to death and provincial governments that want a two tier system. It is not a happy choice for Canadians. A real choice would be to have a federal government that wanted to properly fund the one tier system so that there would be no pressure for a two tier system and no province could complain that the federal government had unilaterally withdrawn from the commitments it made in the past. That would be the solution. I urge the Liberals to consider whether someday they might live up to that ideal.

Mr. Rob Anders (Calgary West, Canadian Alliance): Madam Speaker, does the member for Winnipeg—Transcona agree that the Liberals should wait until after the summer before the House of Commons votes on the MP compensation package so that MPs have a chance to hear from their constituents before voting on a pay increase?

Mr. Bill Blaikie: Madam Speaker, I do not want to assume the role of the Chair in this, but it is obviously not relevant to the debate before us. Perhaps the member should speak to his own House leader who has been dealing with the issue on behalf of the Alliance Party. He might then receive information as to how members of his party collectively intend to deal with the issue, unless there is no collectivity left in the Alliance Party, which some days seems to be the case. If the member is interested in reinforcing the impression that there is no collective mind left in the Canadian Alliance, perhaps he could ask the question over and over again.

[*Translation*]

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ): Madam Speaker, I have difficulty following the hon. member.

Is the hon. member telling us that the present situation with the federal government contributing, for health for instance, 14 cents for a provincial investment of \$1, is an acceptable one?

Second, does he agree with the threats by the Liberals on their share of the funding for health and education? Because that is what cash transfers come down to. With them, the Liberals can decide at any point when to cut off their funding, or when to cut it, to slash it like they have since 1994. Is that what the hon. member is telling us?

Does he not realize—however, it does take some intelligence to do so—that most provinces, Quebec included, have said that they would respect the Canada Health Act, with its five conditions, and if ever tax points were transferred and a recalcitrant province did not meet one of the five, there would be legal proceedings by the

federal government? There is no connection with cash transfers, as opposed to tax point transfers. It is simply a matter of proper administration of the Canada Health Act.

Does he understand this, instead of using all his convoluted analyses?

• (1155)

[*English*]

Mr. Bill Blaikie: Madam Speaker, it is a gross misrepresentation of the NDP position to suggest that somehow we are happy with the status quo whereby the federal government contributes so little on a percentage basis to overall spending on health care.

I just finished saying, before the member rose, how unhappy we were with the fact that the federal government was starving medicare to death. I do not know whether the hon. member did not hear me or did not understand me, but we are not happy with the current situation.

However we think the solution is not to hand the ball over to the provinces. The solution is to have the federal government live up to its responsibilities. That would be a lot better from our point of view.

Mr. Scott Reid (Lanark—Carleton, Canadian Alliance): Madam Speaker, in his comments the hon. member for Winnipeg—Transcona seems to put a great deal of faith in future federal governments acting responsibly in the use of a spending power they have not used responsibly in the past.

I am willing to accept that if the hon. member were to find himself as prime minister in the future he would make transfers for health care his top priority and would do whatever was necessary. However I think he and I would both agree that it is unlikely he will be prime minister in the future.

Based on a record in which the federal government has gone from 50 cent dollars down to 15 cent dollars before more cash was put in, although we are certainly nowhere close to the 50 cent mark, we have seen the federal government effectively renege on the greater share of its health care funding.

Given that, I find it difficult to understand why he feels that is the responsible route when we are concerned about health care transfers. It seems we must find a way of binding the federal government's hands and requiring that those transfers be made. Tax points do that.

Perhaps there are other methods, but I do not see them being proposed at the moment. This seems to be the best option realistically available to us. It has the additional advantage of putting

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more money into provincial hands as the needs of an aging population grow and as the economies of those provinces grow. There are some other advantages that go along with encouraging prudent fiscal management in the provinces.

If we say that health care and national standards are the goal, it seems to me we are better off ensuring an adequate and growing source of funding than using any other means available to us. I cannot see how we can get around that. I wonder if the hon. member could enlighten me on this point.

Mr. Bill Blaikie: Madam Speaker, without wanting to be too polemical about this, it seems that the hon. member once again is very much at odds with what his leader said. He is asking how else we can make the federal government live up to its responsibilities unless we convert all the cash grants to tax points. Yet the Leader of the Opposition said that as far as he was concerned the solution was to legislate such that the federal government could not reduce its cash transfer to the provinces.

That is one solution. Why did he not offer it? Why is he fixated on converting cash grants to tax points when his own leader is not?

With respect to the other question about why I should trust or have great confidence in future federal governments, the point is well taken. I do not have a lot of confidence in the present government. This and previous federal governments have made a whole lot of unilateral cutbacks in the federal commitment to medicare and post-secondary education, going back to the budget of Allan MacEachen and to the Conservative budgets. Almost every federal budget, with the exception of recent ones which have put back some of the money, unilaterally took out money from the partnership that was established.

Why does the hon. member trust future provincial governments? I am arguing on the basis of what I think the best system would be. I do not have a lot of confidence in Mike Harris or Ralph Klein. Maybe the hon. member does and that is the difference between us.

I am arguing for what I think the federal government should be. I am arguing for what I think the role of the federal government should be. My job as a politician is to try to make what I think is the best thing happen, not always to make judgments on the basis of how badly the Liberals are living up to what the federal government should do.

• (1200)

If I were to make judgments about what the federal government should do on the basis of how Liberals behave, I would not think that the federal government should have any role at all. However, because I hold up a higher ideal in my mind of what the federal

government is than what Liberals are able to live up to, I continue to argue for the kind of Canada that I want.

[*Translation*]

Mr. André Bachand (Richmond—Arthabaska, PC): Madam Speaker, I would like to inform the Chair that I will be sharing my time with the member for Kings—Hants, who will join us in a few minutes, I am sure.

That said, it is my pleasure to speak to this motion by our Bloc Quebecois colleagues, which we will of course support. We may have a few problems with the way it is drafted, but I think that, by talking on the subject, we will have the opportunity to readjust, review and improve federal-provincial relations. It can do no harm to hold a first ministers' conference. I think this motion must be agreed to right off.

Every time there is an opposition day, and we look at the subject proposed, questions come to mind. I do not want to detract from the motion's credibility or its objectives, but we always wonder what lies behind an opposition motion.

Is it current affairs, the problems of a given party, government policy on a specific matter? Is it a more specific policy that concerns Quebec? I do not want to detract from the good intentions of our colleagues in the Bloc, whom we like very much.

It perhaps has to do with the fact that our colleague, Jean Charest, visited the rest of Canada—as they say often—with ministers from the country's well off provinces to present a sort of common front, to stand up to the federal government on the issue of tax point transfers.

Madam Speaker, I will share a secret with you: it may be because the Bloc Quebecois wants to help the Parti Quebecois by saying "You know, we put forward a motion in the House of Commons and Liberal members voted against the transfer of tax points". At the same time it wants to thwart Jean Charest's efforts.

As we know, a provincial election is looming in Quebec. There may be a more partisan motivation vis-à-vis Quebec on the part of the Bloc Quebecois. That being said, it takes nothing away from the merit of the motion. What will happen to it later on is everybody's guess, but I believe this to be its true purpose.

This is bad news if it is truly the reason behind this. We will however support the motion and I hope a number of members and parties will do likewise.

This being said, the transfer of tax points is an important issue, but one must be very careful when talking about tax points. It is connected to another issue, that of equalization.

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One tax point transferred from the federal government to the provinces, assuming it is worth \$1 today and the province in question enjoys significant economic growth, may be worth \$1.05 or \$1.25 one, two or three years down the line. A province's economic vitality pushes the value of tax points upwards.

This is why the bigger and wealthier provinces of this country want to have tax points transferred to them quickly because, in spite of the inflation, economic growth would add value to them. We must be careful. We live in a vast country where for the time being—I repeat, for the time being—some provinces are less well off than others. We must therefore talk about equalization.

• (1205)

If tax points are transferred, for example to Newfoundland, these points will have less value in 18 months than the tax points transferred to Quebec, Ontario or Alberta.

Therefore, we must have an equalization system that corrects this situation. This is important. This principle must be the basis for any federal-provincial discussion.

Even though the motion of the Bloc Québécois cannot be amended the way we would like to, we must keep in mind that we should talk about equalization, to ensure that the have not provinces do not feel left out in this reapportioning of tax points, this reapportioning of existing and future wealth.

On the issue of equalization, I should point out that the premiers from Atlantic Canada asked that the ceiling be removed with respect to the calculation of royalties, as was done for Alberta over 50 or 60 years ago. The idea is to give the provinces a chance to keep the new wealth that they may have, without being immediately penalized.

Of course, the current government said no. This is not surprising, as we know, but it is unfortunate.

We say yes to a discussion on tax points and on transfers. This is important. Why? Because it provides and stabilizes a tax value for health, education, social services and so on, and it also gives it a permanent character.

This must not be a strictly political decision on the part of the central government. We agree with that. But this should really be part of a discussion with all Canadians, and the poorest provinces should not be excluded in calculating how many tax points to transfer. We are saying that equalization payments must also be considered.

That having been said, we are telling the government not to be afraid of talking with Quebecers, with the government of Quebec and with the people of Ontario and Nova Scotia. It should not be

afraid of getting together with people from time to time. There is no harm in doing so. The goal is not necessarily to come up with a formal agreement overnight. But why not have a much more permanent discussion mechanism? Why not? Why not recognize the importance of our partners in this country? Why is it always necessary to rattle the central government's cage to get anything?

When the central government knows it is on the eve of an election, it decides to transfer a little more money. But the member for Saint-Hyacinthe—Bagot has put it very well, and has done so for years now, when he says that there are hidden billions.

When we look at the government's huge surpluses, the impression one is left with, in the case of the health agreements reached last September, is the same as if I were the federal government and my little boy of five, whose name is Gabriel, had come to ask me for money. What I would do is reach into my pocket, pull out a handful of change, give it to him and tell him how generous his father was. That is what it is like. I got off easy, because he was happy with the handful of change. But he did not know that my pockets were full of money, because he got more than one pack of Pokémon cards.

It seems like the provinces have to beg for pocket change compared to the enormous surpluses hidden in various programs and in the federal government's way of doing things.

Let us come to an agreement, talk about tax points and provide the provinces with stable funding. Let us give them a chance to plan ahead: equalization. Let us give poorer provinces a chance not to be penalized through the transfer of tax points and encourage them to put the money and energy needed for their development, particularly with regard to natural resources off the Atlantic coast.

We could be the world's largest oil and gas producer if we had a vision and if we helped our partners, the provinces, often the poorer ones and sometimes the richer ones.

We strongly support this motion, even though we know the federal government will say that it has done an excellent job since 1993 and government members will vote against it. Nevertheless, the Bloc's motion is important inasmuch as the provinces are asking for a tax partnership.

• (1210)

In closing, I will simply say that I invite members to look at the spirit of the motion proposed by the Bloc Québécois today and to vote in favour of it. There is no obligation of result, but the first result that could come out of this motion would be for the federal government to accept, at a federal-provincial conference, to discuss such an important issue as the transfer of tax points.

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Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ): Mr. Speaker, before asking my question, let me clarify.

In 1994, the Bloc Québécois talked about tax points as protection against the terrible cuts the Minister of Finance wanted to make to the Canada health and social transfer.

In 1995, Mrs. Marois, then Quebec's finance minister, asked:

That the federal government withdraw from social program funding and that it transfer to Quebec the tax points used to pay for that funding.

In 1997, Quebec's minister of intergovernmental affairs said exactly the same thing:

Quebec will demand that its constitutional authority be respected, will seek to fully exercise that authority, will continue to denounce the federal government's interference, and will call for full financial compensation in the form of tax points.

Recently, even before Mr. Charest's tour through the rest of Canada, Mr. Landry said that he would fight this battle, because it made no sense that the health and education needs were in Quebec but the money was in Ottawa.

With all due respect for the member for Richmond—Arthabaska, we have been talking about tax points for a long time. Since Mr. Charest agrees with this proposal, and because he certainly still has very close ties with Mr. Charest, could the hon. member not convince him to throw his support behind the premier of Quebec, who is also calling for such a federal-provincial conference, and who will continue to call for the transfer of tax points in order to help right the fiscal imbalance that has existed, particularly in the last three years, between Quebec, the Canadian provinces and the federal government?

Mr. André Bachand: Mr. Speaker, first, I want to assure my hon. colleague that we do have great relations with our former leader. I hope things will remain the same after he is elected premier, maybe as soon as next year, who knows.

I do not think Mrs. Marois was finance minister in 1995, but it is true that the Bloc has consistently ensured for several years now, just like the government of Quebec, regardless of the political party in office—to keep, as the member for Saint-Hyacinthe—Bagot pointed out—some kind of protection for Quebec and for Canada against the ups and downs of the sad decisions made by Ottawa.

I will point out that the Mazankowski budget, for instance, was the first step of the very tough budget approach. It was under our government that the whole issue of transferring tax points began.

Yes, it is important for all partners, government members and opposition members alike, to join forces to fight the government.

Having said that, let me remind my colleague from Saint-Hyacinthe—Bagot that when Mr. Clark and I had the honour and privilege to meet with the premier of Quebec, Mr. Landry told us candidly that he did not think it was likely to happen. But we do have to hang on to some kind of hope if we want our requests to appear credible. The transfer of tax points is obviously very important. As I said earlier, equalization is also a major concern for Quebec. It is all interrelated. I am sure my colleague would agree with me.

[English]

Mr. Scott Brison (Kings—Hants, PC): Mr. Speaker, it is with pleasure today that I rise to speak to the opposition day motion brought to the House by the member for Saint-Hyacinthe—Bagot. I share the hon. member's view that federal-provincial co-operation needs to be expedited in the area of tax point transfer.

We have a huge difficulty in Canada now with the reticence of the federal government to engage in any meaningful co-operative effort with the provinces. The PC Party has a strong history in this regard, going back to our 1997 platform in which we proposed a tax point transfer to the provinces to enable provinces to better address some of the social investment needs. The provinces are probably most capable of determining those priorities as they are closest to the people affected by the decisions.

• (1215)

We need some sort of practical action to create a new system of government that is much more responsive, more accountable and ultimately more efficient. By giving provincial and regional concerns a clearer voice, Canada can become a stronger country.

These practical changes can be achieved through federal-provincial discussion and agreement without constitutional amendments. That is important because I think most Canadians want to avoid a constitutional dialogue at this point. If we can achieve that through federal-provincial discussions, which we can, then we should proceed.

This requires co-operative federalism, not brinkmanship, brava-do and disdain for the provinces, which have been the trademarks of the government since 1993. The Liberal government has had a paternalistic approach to the provinces. It is an Ottawa knows best approach. Whether on health care, education or any social spending, the government has attacked the provinces since 1993 with draconian cuts to transfers. These arbitrary and unilateral cuts have created, for instance, a health care crisis in every region of the country. The government has also slashed transfers to the provinces while barely tinkering with its own spending in terms of program spending.

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The Liberal government had a choice to balance its books. Instead of reducing federal program spending significantly, it chose to maintain federal program spending but to cut the transfers to the provinces such that the hard decisions ultimately had to be made by the provinces.

The question is why the federal government slashed health care transfers to the provinces while leaving its own departments unscathed. The answer is because it could. It had the power to. It was able to escape the accountability of explaining and dealing with the impacts of those cuts because it had the power to act unilaterally and arbitrarily.

This proposal of a tax point transfer to the provinces could go a long way to ensure that federal governments do not have that unfettered power to do again what this government did in the early and mid-1990s by cutting the transfers to the provinces so dramatically.

Again, the big problem here is that the federal government currently has the power to trample over the provinces and escape accountability for the consequences of these actions. Currently the provinces have very little authority over their revenues, yet they have all of the responsibilities for how the programs, investments and spending programs will be administered. It is like what Mark Twain once referred to as a bad job. We could say that currently the provinces have a bad job: a lot of responsibility but no authority.

The same federal government that created the health care and post-secondary education crises across Canada by its cuts to the provinces has tried to act like a knight in shining armour by introducing, for instance, a millennium scholarship program to directly fund students from the federal coffers. The government is more interested in whose names are on the cheques than in the long term interests of ordinary Canadians who want health care and education systems they can depend on. Clearly some sort of reform is necessary.

However, that is not exactly what the hon. member is calling for with this motion. He is actually just calling for a first ministers conference to discuss the possibility of a tax point transfer. Clearly there is nothing wrong with having a discussion of first ministers on an issue of this importance. I would hope that members opposite and members of all parties would see that in the interests of a constructive approach we should all be supportive of the notion of a first ministers conference to explore the possibility of this type of initiative. It makes a lot of sense.

• (1220)

Not only does this initiative make sense, but even those who may disagree with the notion of a tax point transfer should at least agree to the idea of having a discussion with the first ministers of the

provinces on this. We also need to broaden the nature of this discussion to include equalization. Our equalization system is currently broken. When we look at the history of equalization, a cornerstone of Canadian public policy and the only constitutionally enshrined spending program, we see that it was introduced around 1958. At that time the stated goals of equalization were to achieve approximately equal levels of taxation and equal levels of services across Canada.

Clearly, particularly on the tax front, with some provinces like Ontario and Alberta increasingly in positions to take fairly aggressive tax reduction policies, we are seeing a ghettoization of Canada in terms of the very important role of tax policy. Ten years ago I do not think anyone recognized how important tax policy could be in terms of creating levels of economic growth, opportunity and ultimately prosperity for citizens within a particular jurisdiction. However, today we have seen what has happened in countries like Ireland, where an aggressive tax strategy focused on capital taxes and corporate taxes has helped achieve a 92% growth in GDP per capita over a 10 year period during a period of time when Canada has had a 5% growth.

Enabling the provinces to have through equalization a little more control over their natural resource wealth, for instance, would go a long way in provinces like Nova Scotia and Newfoundland toward actually enabling those provinces to reduce taxes and to create greater levels of economic growth, not specifically in resource areas but in new economy ventures et cetera. Clearly we have to address the issue of the clawback of resource revenues that impacts provinces like Nova Scotia and Newfoundland in such a negative way.

We also have to address the issue, as my colleague from Richmond—Arthabaska mentioned in his comments, of the caps on equalization. We have 10 provinces with 10 premiers who have agreed that now we should take the caps off the equalization levels that go a long way toward denying individual provinces and recipient provinces the opportunities and the ability to grasp the economic levers they need to grasp, including tax policy and social investment policy, in order to create some level of sustainable economy and to ultimately be independent of equalization.

In regard to the current equalization system's treatment of recipient provinces, it is like how in certain jurisdictions social welfare systems sometimes treat people worse if they get a job. If they actually get a job they end up worse off than if they stay on welfare. In some ways we have an equalization system that has created a welfare trap, in that we actually treat provinces that are starting to become successful and starting to forge ahead worse than if they were not to pursue and embrace economic opportunities in a way that we should be encouraging.

The former premier of Newfoundland, currently the Minister of Industry and self-promotion, said in October:

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—the development of offshore oil and gas both here and in Nova Scotia have been made more difficult by the way the current equalization formula works. The current claw back provisions in particular slow the pace at which equalization receiving provinces can catch up to the Canadian average standard of living.

I could not agree more with his comments then. Goodness knows where he is on that today.

We need a consistent commitment from the government to enable provinces, through equalization, through tax point transfers, to achieve on behalf of their constituents prosperity and equality in the 21st century.

• (1225)

Mr. Tony Valeri (Stoney Creek, Lib.): Mr. Speaker, I listened intently to my hon. colleague's comments. Earlier today in the debate I made the comment that I do not suspect that there is a lot of consensus or a consensus at all among provinces on this issue with respect to the movement to tax points versus cash transfers. I think it is fair to say. I know the hon. members from the Atlantic provinces did.

Certainly analysis has shown that a conversion to tax points for the smaller provinces would in fact be harmful given their smaller tax base. I am trying to reconcile this in my mind. I am trying to understand if the member, coming from the Atlantic provinces and knowing that the Conservative Party is supportive of eliminating cash transfers and going straight to tax points, much like our colleagues from the Bloc, has had any dialogue at all with his provincial premiers with respect to eliminating the cash portion of the transfers and going to tax points completely.

As well, I am a little concerned about and am trying to understand some of the inconsistency, perhaps, in the thinking on tax points versus the equalization payments, where equalization payments are a transfer of cash and there is a moving to tax points on the straight transfers. There is a bit of inconsistency in the thinking. I would like to hear from the hon. member on that point.

Mr. Scott Brison: Mr. Speaker, I appreciate the hon. member's intervention. This hon. member is not confused, but I believe he may be.

In terms of the issue of tax point transfers, it is entirely consistent with our party's position, going back to the 1997 election platform, that we should be enabling provinces to have more say over their own tax policies and ultimately over spending priorities through giving them an opportunity through tax points to achieve that.

That being the case, he is quite right that without an adjustment through equalization to ensure that there is some sort of ameliorative impact from the equalization perspective, some provinces would be worse off. That is why it is fundamentally important to

ensure that the equalization system, as I articulated, takes that into account. One of the best ways to achieve that would be to remove the equalization caps, which we do have consensus on from 10 premiers across Canada.

There is another point. The hon. member from the Bloc Quebecois who has proposed this opposition day motion is proposing that there be a first ministers conference to debate and discuss this issue. If the hon. Liberal member opposite is ingenuously interested in hearing the views of Atlantic Canadian premiers, then he should be supportive of this motion such that first ministers would be able to get together and have this kind of discussion.

The hon. member from the Bloc Quebecois is not saying in this motion that he would want the transfers of the points. The motion says that we want to have the discussion.

Certainly the hon. member's government should not be afraid of a meaningful discussion, a first ministers conference on this issue, which would give an opportunity to Atlantic Canadian premiers, among others, to express their views and to negotiate and achieve on behalf of their constituents what they are capable of doing.

Mr. John Bryden (Ancaster—Dundas—Flamborough—Aldershot, Lib.): Mr. Speaker, I just wonder what the member opposite would think about the fact that Canada's public medical services were financed originally by an earlier Liberal government, basically with cash, and then a subsequent Conservative government changed these cash transfers into tax points.

While that may work in most of the country, in the province of Ontario we have the dilemma where a lot of the money that is now going to the provincial government to finance health and social care is basically not getting to this target because the provincial government is spending less of its own money on health care or is only using the money it receives federally. I wonder what the member has to say about that.

• (1230)

Mr. Scott Brison: Madam Speaker, the hon. member, respectfully, is wrong. The fact is that the provincial government in Ontario has increased its spending and investment in health care disproportionately when compared with the federal commitment to health care in Ontario.

There has been a sharp decline in the federal commitment to health care in every province and the provinces have had to make that up. In Ontario there has been a dramatic increase in the provincial investment in health care to help compensate for the draconian cuts by the federal government.

Unfortunately it is easier in some ways for a province like Ontario to make up that money but in a province like Nova Scotia with a weaker tax base it is very difficult. I would ask the member to be cognizant and respectful of that.

Supply

[*Translation*]

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ): Mr. Speaker, first, I want to say that I will be using my 20 minutes to give a demonstration based on the motion we introduced this morning.

I would first like to reread the motion because, since the beginning of this debate, we keep hearing things that have nothing to do with the purpose of the motion. I thank my colleague from Kings-Hants, who clarified the motion by the Bloc Québécois, to prevent the debate from going the way it seemed to be going this morning. The motion reads as follows:

That, in the opinion of this House, the government should call a federal-provincial first ministers' conference for the purpose of reapportioning the tax base among the federal and provincial governments through the transfer of tax points.

We are not saying that everything has to be turned upside down and that the value of equalization has to be challenged. We are not saying that the federal government's actions in its own areas of jurisdiction should be questioned either. The only thing we are saying, after four years of observation, is that it is essential that a balance be struck somewhere.

We have now reached a point where, and this has been the case for the last three years, there is too much money in Ottawa, given this government's constitutional responsibilities, and not enough in the provinces, including Quebec, given their responsibilities, particularly for health, education and income support. There is too much money. We are not talking about peanuts. We are not talking about a few billions, but rather several billion dollars.

Since 1995 the Bloc Québécois has gotten into the habit of making its own forecasts regarding revenues and expenses, therefore surpluses, especially the surpluses that have been building up since 1997. We make forecasts because we do not trust this government. Ever since he has been holding the finance portfolio, the minister has been making forecasts that are way off, sometimes by an incredible 130% to 400%. How can we trust a government that does not even give us a true picture of public finances, which would allow us to make the right choices?

We came up with a rough forecast of surpluses over the next four years—one must be very cautious regarding the last year because four years is a long way away, even the third year is iffy. If we use the same economic growth parameters as the major banking institutions such as the SGF, the Caisse de dépôt et placement du Québec, the Mouvement Desjardins, the CIBC, the Bank of Montréal and the National Bank, and take into account not only the growth parameters but also the analysis of the growth, we see that over the next four years the Minister of Finance will have, thanks to the taxpayers of Quebec and Canada, a budget surplus of between \$70 billion and \$90 billion, plenty of room to manoeuvre.

We have hardly ever been wrong, maybe only by 5%. For his part, the finance minister has been way off; since 1994, his forecasts have been off by \$60 billion. These are no small miscalculations. Over the next four years the government will accumulate surpluses of between \$70 billion and \$90 billion. Why such huge surpluses?

First, people pay too much taxes; second, the federal governments responsibilities are such that it cannot spend the money entrusted to it by Quebec's and Canada's taxpayers; third, if the surpluses are so huge it is because they have been accumulated on the back of the provinces by drastically cutting, gutting transfers since 1994. The provinces' needs keep on increasing whereas here in Ottawa money has been pouring in, especially over the past four years.

Since 1993 federal revenues have increased by 53%. Revenues from taxes and income tax have increased by 53% since 1993, while federal spending dropped 3%.

• (1235)

Let us have a look at the situation in Quebec. Program spending in Quebec has increased by 16% during the same period, that is since 1993. This means that the government of Quebec spends 13% more for programs under its jurisdiction.

In health care alone, the increase was twice as high: the government of Quebec's spending in health care has increased by 32%. Spending is increasing year after year, especially because of the natural aging of the population. Needs increase by 5% per year.

The federal government's spending has decreased by 3% since 1993. This is due to the fact that there were cuts to transfers to provinces. The federal government has reduced the level of its contribution to cost sharing programs, which had been set during the 1960s and 1970s, especially in the areas of health and education.

So much so that, for every dollar invested by the government of Quebec, the federal government contributes only 14 cents. However, these cost sharing programs were established on a 50:50 basis, the federal government contributing 50% of the costs and the provinces the other 50%.

In the area of education, it is even worse. The Liberals should stop misleading people by saying that there the federal government is not backing out. For every dollar invested by the government of Quebec in education, the federal government spends 8 cents. In the past it has even been 50 cents for 50 cents.

Over the next four years, there will be huge surpluses, so unbelievably huge as to be nearly surrealistic: between \$70 billion and \$90 billion in surplus for the next four years, and that is the conservative scenario. I would again point out that the Bloc Québécois has never been wrong. The Minister of Finance has, and far wrong at that.

Supply

What is the Minister of Finance doing with these surpluses? First of all, the federal government is using these surpluses, under section 91 of the constitution and subsequent interpretation thereof, i.e. the power to spend, to intervene, or not to intervene, in areas under its jurisdiction.

Let us take the example of employment insurance. Instead of taking action, it makes cuts, while on the other hand, as the surplus accumulated over the past four years, its intrusions in areas of provincial jurisdiction, in particularly areas of Quebec government jurisdiction, increased proportionally.

Let us take for example the 1997 budget, where the first significant federal surplus appeared: \$4.1 billion. The federal government invested in new initiatives, in areas of provincial jurisdiction, sums in excess of \$2.3 billion. Out of a total of \$4 billion, \$2.3 billion were invested in areas coming under provincial jurisdiction. These include: the family, the child tax credit, research, education and health, particularly via the Canadian health information system.

Over half of the first year's surpluses were invested in exclusively provincial jurisdictions. However, in that same year, the Canada social transfer had not been restored to fund health and education through the existing networks that were well managed by Quebec and the other provinces.

In 1998, it was the same: a \$10.8 billion surplus and \$4 billion in new initiatives in areas in which the federal government has no business. In other words, it cuts on one side. It accumulates surpluses year after year, at the expense of the provinces, the unemployed and the poor.

The government then reinvests these surpluses through the back door, in provincial jurisdictions that it has obviously neglected if we look at the general transfers to fund health and education, among others. This is the tactic used by the federal government.

It was the same thing with the budget for the year 2000. The government will have between \$15 billion and \$19 billion in surpluses. The minister's forecasts called for less than half of that. The minister has lost all credibility in that respect. In any case, no one still believes him.

In the year 2000, close to \$8 billion was spent on new initiatives and renewed initiatives from 1997, in particular, in jurisdictions that come exclusively under Quebec and the other provinces.

• (1240)

Is it normal that, on the one hand, the federal government goes after the provinces and has them bearing the brunt of all the cuts made since 1994 in health care and education when the needs of the provinces in both these areas are increasing? I want to remind the

House that federal transfers for education have never been lower in the last 30 years. The government is cutting and not meeting the needs of the public.

On the other hand, it keeps infringing upon areas of exclusive provincial jurisdiction recognized in the Constitution of Canada and in many court rulings.

It is not normal to have the federal government juggling with a surplus while the provinces and Quebec are overburdened by heavy responsibilities.

We need to rebalance the tax base. This is such a matter of urgency that the government of Quebec and the premier of Quebec, Mr. Landry, have decided to set up, the Séguin commission, chaired by a Liberal who is a former Quebec minister of finance, to examine how great the imbalance is and how to correct it.

We are constantly in crisis. We cannot have a situation where the needs of the people are constantly growing while the federal government has huge surpluses and avoids debating the issue, because we know that the Minister of Finance, as astute as he is and with the lack of transparency he has shown, is predicting surpluses that have no basis in reality.

All the money that is not included in the budget and that magically appears at the end of the fiscal year, as we have seen since 1997, goes directly to debt reduction pursuant to the decision made in that regard. There is no debate. The government also avoids debating with the provincial governments, including the Quebec government, the fact that the needs are with the people but the surpluses are here, in this House.

This is not normal. For decades, successive governments and successive premiers in Quebec have fought every time an imbalance became apparent. It happened under Maurice Duplessis, as well as under Lesage, Bertrand and Johnson.

Mr. Bourassa said that the worst threat facing the government of Quebec was fiscal imbalance and a situation where the federal government continually, through its spending power, interfered in areas under the jurisdiction of Quebec and the other provinces, thereby preventing a consistent approach to public affairs management in areas which, under the Canadian constitution, are recognized as being the responsibility of the provinces, including Quebec.

Undoubtedly, the federal government has a problem. However, the provincial governments have more serious problems, because they have to meet the needs of the population.

We must limit the federal spending power. What is happening now was foreseeable. Since 1997, when the possibility of huge surpluses appeared for the first time, we have been saying that this

would happen. Those who do not believe me can refer to *Hansard*; our speeches were mostly on this issue.

The federal government will accumulate surpluses on the back of everybody: the unemployed, the sick people and the provinces. As soon as it has done so, as soon as the first surpluses appear, it will revert to its old bad habits, intrude into provincial jurisdictions and multiply federal initiatives in these areas just to stick the Canadian flag everywhere and to say that it is a good government, working in the best interests of the population.

How hypocritical to have cut programs of such basic necessity as education, health and income support, to have made the government of Quebec and Canadian provinces bear the brunt of it and then to have come in as a saviour by taking several initiatives in these areas through the back door.

This is why we have brought forward this motion, asking the government to reapportion the tax base by calling a federal-provincial conference.

• (1245)

In the last 50 years, there have been two important conferences. One of them took place in 1964, in Quebec City. Mr. Pearson was the Prime Minister of Canada, and Mr. Lesage was the premier of Quebec. Mr. Pearson was an intelligent man.

He was able to understand that the requirements of the provinces and of Quebec had to be met, if we were to have a better balance in this country. He did realize that, for the war effort, the federal government had borrowed the personal income tax base of the provinces, but that after the war it was necessary to reapportion the tax base because of the constitutional responsibilities of the provinces. They had to regain the tax base they needed to finance these responsibilities. He realized that.

In 1977, during the second important conference, once again, the federal government realized what the situation was and transferred tax points.

Why is this federal government so dense? Why is it so obtuse that it cannot see the obvious? Things cannot go on like this for years. We cannot have the money in one place and the needs elsewhere. A reapportionment is in order.

The easy way is to use tax points, since this tax base can be easily reapportioned, by taking into account the needs of the provinces without denying the role of the federal government. Some members talked about equalization earlier. Certainly, when tax points are given to provinces such as the maritime provinces, there will be a problem at some point. These provinces have by definition some difficulty in getting from their taxpayers the taxes

Supply

that would allow them to maintain services of the same quality as those provided elsewhere in Canada.

But there is equalization. We are not asking the federal government to transfer everything. We are asking that a new balance be struck. Might it not be open-minded at some point, instead of constantly saying no? We are used to no.

When it comes to Quebec, the federal government has always behaved as if it were a unitary state. It said no to Quebecers' democratic rights with Bill C-20. Everyone remembers that there was a reference to the supreme court. With Bill C-20, the government said no to Quebecers' democratic rights.

It said no to parental leave, for instance. It said we would have a program coast to coast. It is not nearly as good as the Quebec government's program, but that does not matter because it is the parents in Quebec who will pay at the end of the day. It said no to Quebec's program.

It is also saying no to young offenders, as we saw recently. The Minister of Intergovernmental Affairs, carrying indecency to a new high, beyond anything he had done up till now, went as far as to tell us that the consensus that we presented here, that my hon. colleague for Berthier—Montcalm presented, was a fabricated consensus because we had infiltrated all the organizations that supported us in our approach. We would then follow that we have infiltrated the Quebec Liberal Party. Such nonsense is quite incredible.

It is saying no again, because the transfer of tax points is another idea from Quebec. Sometimes we wonder if this government is not in the process of changing Canada into some unitary state, where differences are not tolerated. Forget about Quebec's specificity. We have almost become an internal colony. Before we were a colony ruled by metropolitan Britain. Now we have become a colony within Canada. We are told "No, Ottawa knows best. Ottawa knows everything. Ottawa knows what is good for Quebec".

I hope we will find more open-mindedness on the part of the Liberals toward our proposal for a federal-provincial first ministers' conference for the purpose of redefining the tax base, of reapportioning that tax base. The current situation is unbearable.

Quebec is not alone. The government can say no to Quebec, in its colonial spirit, and seek to have a wall-to-wall policy across Canada, even while recognizing that sometimes Quebec's policy is better than the federal policy. We demonstrated it with respect to the Young Offenders Act. It can treat us that way if it wants, but a consensus is in the making across Canada.

It is not only Quebec. Members were speaking earlier of a national policy. We have a national government in Quebec City which is forming a consensus with the provinces to readjust the tax base.

Supply

• (1250)

In the case of the poorest provinces, it is very simple. There are equalization payments. We are not calling for them to be scrapped. We simply want, when we speak of the federal government's withdrawal and of redefining the tax base, the federal government to withdraw first from everything that concerns Quebec's and the provinces' jurisdiction—that would be the minimum—and to transfer the equivalent taxing power to the provinces. That could be discussed at a first ministers' conference.

I hear the Minister for International Trade bleating. If he stood up instead of being a wishy-washy member from Quebec, he would join the consensus. For once, if he stood up like a real Quebecer, he would defend Quebec's point of view.

I hope my colleagues in the House of Commons will vote in support of this motion.

Mr. Antoine Dubé (Lévis-et-Chutes-de-la-Chaudière, BQ): Mr. Speaker, if the Minister for International Trade could go back to his seat and ask a question, I would not have to put questions to my colleague, the hon. member for Saint-Hyacinthe—Bagot.

I will first make a few comments. I would like to congratulate the member for Saint-Hyacinthe—Bagot, in particular for his demonstration. With the means available to him, which are far from what the government has at its disposal, he has always succeeded in forecasting as precisely as possible, more precisely than the Minister of Finance in any case, the size of the surplus. I think he deserves a special tribute for this. He was always very close to the actual figures, even though he did not have access to the same tools as the federal officials.

I am very proud of his support for the motion I brought forward. The members of the Bloc Québécois have all worked together to bring this important motion forward.

Does the member for Saint-Hyacinthe—Bagot agree with the expression commission on fiscal strangulation used by the Parti Québécois government? Does he consider this expression exaggerated or adequate? I would like to hear his comments on this point.

Mr. Yvan Loubier: Mr. Speaker, it is no great feat to have forecast reality, because we have come pretty close to the right figure by using known and public figures, even those of the Minister of Finance.

If he has not done the same, then, it is because he has done a poor job, either out of incompetence or lack of transparency, or because he was trying to be astute, as I said earlier. He likes not forecasting a surplus; then he can decide on his own what to do with the money.

The expression fiscal strangulation is no exaggeration. We find ourselves in a situation—no joke here—in which the federal

government's financial situation is going to be really flourishing. We are talking of \$70 billion minimum over four years.

Those who find this an exaggeration have always said the same thing when we presented our estimates "It's an exaggeration, it makes no sense". Yet we have always been dead on. There is, therefore, no exaggeration here and we have consulted many experts. We did not consult certain economists, not the friends of the Minister of Finance; we consulted all forecasting organizations. We were objective.

We are talking about fiscal strangulation in connection with needs. For instance, health needs are increasing in the provinces. In Quebec alone there will be a 5% rise. We are talking billions of dollars. The billions of dollars of surplus will pile up in the federal coffers while the health needs in Quebec and in the provinces will be very great.

These needs must be met; they are the needs of the population. Yes, there is fiscal strangulation going on. The present situation is a dramatic one. There has been an increase in initiatives in areas of jurisdiction that belong to Quebec, such as health and education, which do not take into account the needs of the public and the government of Quebec's policy in these two sectors in particular, where it spends more than the federal government. We are talking about \$1 for every 14 cents in the health sector, and \$1 for every 8 cents in the education sector.

The federal government is meddling in other areas, which have not been identified as fundamental needs by the government of Quebec. What does this mean? It means that the federal government is not making good use of our money. There are no two ways about it. So how are we to reconcile these two visions, Canada's and Quebec's? We are making an attempt. We are introducing a motion which says "Sit down with the premiers of Quebec and the provinces. Talk about rebalancing fiscal resources, but on the basis of the real numbers. Let us have no more of the Minister of Finance's nonsense, with estimates that are off by 140% to 400%. We want the real numbers".

• (1255)

Everyone has the real numbers now anyway, because everyone is capable of taking a calculator, as I did with some of my colleagues, and doing the math. Even with the worst scenarios, the surplus will grow to \$70 billion over the next four years.

This money does not belong to the Minister of Finance, nor does it belong to the member for Saint-Maurice. It belongs to taxpayers, whose needs are in areas such as health, education, income security and so forth, areas which should reflect the public's interest, not the leadership aspirations of the Minister of Finance.

Supply

Mr. Gilles-A. Perron (Rivière-des-Mille-Îles, BQ): Mr. Speaker, I would like to make a comment that may be somewhat off topic.

I find it quite deplorable that the member for Papineau—Saint-Denis would be screaming from behind the curtains and does not even have the courage to take his place and ask questions.

I would like to congratulate my colleague from Saint-Hyacinthe—Bagot for his speech and I would like to hear what he has to say about the money the federal government owes Quebec.

Mr. Yvan Loubier: Mr. Speaker, my colleague from Rivière-des-Mille-Îles has put his finger on a thorny issue.

I believe the federal government owes over \$3.2 billion to the Quebec government and, despite repeated requests, it steadfastly refuses to pay up. These outstanding bills are documented. Every one of them is well documented and together they total \$3.2 billion, which the federal government refuses to acknowledge it owes.

At issue is, for example, \$1.9 billion in compensation for the GST. A few years ago Quebec harmonized its provincial sales tax, the TVQ, with the GST. It has been losing money ever since. The federal government never told us it would one day compensate the maritime provinces for doing exactly the same. Three maritime provinces got \$900 million for harmonizing their taxes.

We are asking the federal government for \$1.9 billion because harmonization has cost us dearly. We were the first ones to do it, on our own initiative, because we wanted the tax system to work well.

Is there any way that someday Quebec's demands will be met?

The same is true of the Canada assistance plan. The Quebec government is suing the federal government for \$310 million owed to it by the federal government.

The Quebec government is asking the federal government for \$96 million to administer the Young Offenders Act. I am not talking about the new harsh, barbaric act beneath the dignity of this parliament, but rather about the old act under its jurisdiction.

These needs are not being met. It is incredible; the Minister of Finance has billions of dollars, he even boasts about the surplus, and he lets the needy remain exactly that, needy. He lets sick people wait in hospitals. He invests elsewhere. For example, as far as health is concerned, he invests through the real transfer to the Quebec government, but he does nothing for the fundamental needs of the sick people.

He makes students wait. A student is not a student forever. At one point in his life he has needs that must be met quickly. This is incredible. The funding of education, through the CHST for post-secondary education, has never been this low in 30 years. The

minister continues to brag about the surpluses. He is being astute by not making forecasts that reflect the real surpluses. He is avoiding debate and paying down the debt.

Could he not give a bit more to the people, dish out the dough as they say? Let him spend on the people in order to meet the real needs, and let him pay his bills and his debts. The federal debt is not the only one the minister has to deal with. He has a debt toward the Quebec government because we have taken measures that were warranted from a practical point of view. For example, there is the harmonization of the GST and the QST and the issue of young offenders. I think there is a lack of will on the part of the government. This government is ignoring Quebec completely, it just does not care about Quebec.

• (1300)

Ms. Diane Bourgeois (Terrebonne—Blainville, BQ): Mr. Speaker, just like my colleague from Saint-Hyacinthe—Bagot, I regret that Quebec and the other provinces have to bear such a heavy tax burden.

According to my colleague what group of people is hardest hit by this tax burden? How are they affected? Can he give us some brief examples?

Mr. Yvan Loubier: Mr. Speaker, there is no doubt in my mind that the bad policies of the federal government have hurt two main groups, women and young people.

Employment insurance policies have affected and continue to affect women and young people, who make up 60% of all those ineligible for EI benefits.

It is also true that the Minister of Finance has recently cut taxes, but mainly for the rich. Single parent families, often headed by women, will go empty-handed this year, next year and the year after.

It is obvious. These two examples show that women are paying the price and will continue to pay the price. I want to thank my colleague for her question.

[English]

Hon. Jim Peterson (Secretary of State (International Financial Institutions), Lib.): Mr. Speaker, what we have in the House today is a motion by the Bloc to transfer tax points from the federal government to the provinces. This is not complicated. It means the Bloc simply wants us to give up our power to raise revenue to the provinces. It wants us to give up our power to do the things which are absolutely critical to our country as a nation affecting every province and every person regardless of where they live, not just in particular provinces.

Supply

The Bloc wants us to reduce our capacity to make transfers to individuals. Our biggest single expenditure to individuals is over \$25 billion a year to Canada's seniors. How much of that does it want us to give up? It wants us to give up our capacity to cut taxes.

We have just introduced the biggest tax cuts in Canadian history, \$100 billion over five years. We have seen the benefits of that. Those cuts started January 1. Canada's growth rate in the final quarter of last year was 1.9%. In the first quarter of this year the latest figures show that our growth rate has gone up to 2.5% in spite of the serious downturn in the U.S. economy and one that was threatening us and one that members opposite were saying that we had to do something about, that we had to bring in new budgets because things were not working.

That stimulus presented by the Minister of Finance just when it was needed has ensured that we have not gone into a tailspin, but have been able to cope with that downturn.

The Bloc wants us to give up our capacity to pay down the federal debt in order for the provinces to pay down more of their debt. Paying down debt is good for all of us but the fact is that the federal debt is more than twice that of the provinces. We have made enormous strides in paying it down. When we took office it was 71% of GDP. It is now below 54% of GDP and heading to less than 40% of GDP within five years.

As members know, last year the finance minister paid off \$15 billion in Canadian debt. This is important because this payoff is saving us about \$2 billion a year in interest.

The provinces should maybe pay down their debt too but their debt cumulatively is less than half of what ours is. We pay about 25 cents out of every tax dollar to service the federal debt. The provinces pay about 12 cents. In terms of fairness, where should that capacity to pay down the debt go first?

• (1305)

When we look at the credit ratings that we get as a country and the lower interest rates that the bond rating agencies give us, it is because we have been able to balance our budgets for the past three years, reduce our taxes and pay down the debt. Those reduced interest rates constitute an enormous savings not only to the federal government but to every one of the provinces.

The Bloc members want us to give up to the provinces our capacity to make strategic investments for the future of Canadians, strategic investments in areas such as education, which is so critical to the economy of the 21st century and to the new economy, and to give up our capacity to support innovation such as through technology partnerships. All these programs are critical to the future economic well-being of Canadians. We are not going to do it.

We have seen an historic accord concluded last September by the Prime Minister of Canada with all of the provincial ministers. It was historic, first, for the amount that was involved, \$21.1 billion over five years added to the transfers that we are already making to the provinces. In addition, another \$2.2 billion for early childhood development.

What are the overall transfers that we are making as a federal government to the provinces? They are at an historic high. When we look at the CHST, including the tax points, and at equalization, which is at an all time high, it is over \$40 billion a year that is transferred to the provinces.

Let us go back historically and take a look at how this whole issue of tax transfers appeared on the agenda. It started in 1977 when the provinces said that they needed more room to tax. The federal government said that it would give them more room but that they had to recognize that those transfers of tax points to the provinces would be transfers of revenue generating capacity. The federal government gave up its capacity to tax by 13.5% on the personal side and 1% on the corporate side. The provinces picked that up by imposing those taxes. They got the cash and we did not. It was a transfer of cash to the provinces.

Ever since then the provinces have said that the federal government was not transferring to them anything more than the cash component. How could they be so short-sighted? How could they go back on their word which they gave in 1977? How could they go back on their commitment to recognize that the tax points they took from us were in fact transfers to those provinces?

[Translation]

The net impact of tax points on taxpayers was zero, but it cost the government a lot of money.

In 1997, the value of tax points transferred to the provinces was \$2.7 billion. That amount has been increased and is now at \$16 billion, which is about half the total amount provided to provinces under the CHST.

[English]

What are our reasons for not going back on what we have done? First, doing tax points creates inequities among the richest and the poorest provinces. A tax point in Ontario is worth \$35 per capita today. It was worth only \$17 last year in Newfoundland. Is that the type of equity that we are trying to build for all Canadians? On the other hand, when we transfer cash to the provinces it means the same amount per capita. That is equitable.

• (1310)

The second reason we will not go back on this is that we will not give up the federal capacity to legislate the values which are so critical to Canadians, such as the Canada Health Act. This is why we have used the threat of cutting transfers to the provinces, and have actually had to cut in certain cases in order to ensure that the

principles of the Canada Health Act were adhered to by the provinces. If all that cash were gone, total leverage would be gone and our admired system of public health in Canada would be finished.

In terms of social assistance, we used it to enforce the fact that provinces could not impose minimal residency requirements. That was fair. If one is a Canadian it does not matter which province one lives in, one's rights will not be cut off. That is what it means to be a Canadian.

We can look at our relative capacity to tax already. In 1977, before the transfer of tax points to the provinces, personal and corporate income taxes brought in about 60 cents for every dollar of federal tax. Today that is up to about 85 cents. When we add federal transfers to that revenue generating capacity in the provinces, the provinces end up with a higher revenue base than in the federal government.

We need the fiscal tools to be strong. Nothing could have demonstrated that better than the Canadian economic miracle of going from a deficit of \$41 billion to three straight surpluses, heading to four, and having been called by the economists of London the economic miracle of the west.

The Bloc members, the opposition, have consistently denied the value of the tax points. They say that we give only 15 cents on the dollar to health care. They also ask us to give them more tax points. If tax points are so valuable, why did they ignore the tax points when they said we gave only 15 cents on the dollar for health care? It is over 30 cents. They cannot have it both ways.

[*Translation*]

That is hypocrisy. Twenty-six per cent of federal funding for research and development goes to Quebec. What percentage of the Canadian population does Quebec account for? Twenty-five per cent.

For industrial research and development, the government spends 33%; for the Canadian Institutes of Health Research, 32%; for infrastructure, 26%; for the Canada Foundation for Innovation as well as for 29 research chairs, 30% of the budget. For the CHST, 50%.

Now we can see why the Bloc Quebecois is proposing this motion. It is obvious. It does not want a federal government, a Canadian government. It wants to destroy Canada. That is their sole objective and that is the reason why a few weeks ago, here in the House, members of the Bloc Quebecois insisted that we switch to a North American dollar. They want to destroy Canada's ability to have an independent monetary policy. The sole motivation of the Bloc Quebecois is to destroy Canada, not to promote it. That, we will never accept.

Supply

[*English*]

Mr. Jason Kenney (Calgary Southeast, Canadian Alliance): Mr. Speaker, I would like to congratulate the minister on coming back to join us here in the House and on his very successful recovery. We all had him in mind.

• (1315)

The minister managed to work himself up into quite a frenzy over a proposal to continue with the status quo. He spoke as though the transfer of tax points between senior levels of government would somehow undermine the federation and the very glue that bonds it together.

Will the minister not admit that tax point transfers from the federal to provincial governments to allow them to finance programs more transparently within their own exclusive constitutional jurisdiction is a longstanding historic practice of the Canadian federation?

When he does admit this, why is he concerned about the motion which simply suggests that the first ministers gather for the purpose of reapportioning the tax base among the federal and provincial governments through the transfer of tax points? Is this not an ongoing process? Does this not happen from year to year? Is the negotiation of who finances what not a work in process in terms of tax points and cash transfers? If so, why is he so concerned?

Hon. Jim Peterson: Mr. Speaker, I thank the hon. member for his very generous words toward me. I can assure him and all hon. members that my thoughts are with them too.

Is he proposing that the meeting of first ministers for the purpose of reapportioning a tax base among the federal and provincial governments through the transfer of tax points would involve the transfer of tax points from the provinces to the federal government?

[*Translation*]

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ): Mr. Speaker, I would also like to welcome the member and wish him a speedy recovery.

However, I have to say that I am very disappointed with his diatribe. Each time we put sensible projects forward, we are told we want to destroy Canada. They do not need us to do that. They are destroying the country themselves by being as narrow-minded as they are, and by not even accepting the idea of a federal-provincial meeting. Really! A federalist is opposed to a meeting between his prime minister and the provincial premiers to talk about the efficient operation of the federation. This is really unbelievable.

They talk about the elimination of the deficit as if it were a miracle. Well if all miracles came about that way, we would never have seen one on the face of this earth. It is easy to have somebody else do the dirty work and then say it is a miracle. He did not see

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how the budget was balanced, that is for sure because it was done somewhere else, not here. It is the unemployed who did it, as well as the provinces. But I do agree, it is a miracle.

Could we strike some sort of a balance somewhere? It is not only the public finances that need to be balanced. Could he show a little more balance and admit that it would be a good idea, given anticipated surpluses of between \$70 billion and \$90 billion in the next four years, to talk about reapportioning the tax base?

Hon. Jim Peterson: Mr. Speaker, I thank the hon. member for his kind words.

He said that the federal government does not want to meet with the provinces to discuss fiscal arrangements. If my memory serves me right, the Prime Minister and all the premiers had a meeting on September 11, last year. Under their historical agreement, the federal government transferred more than \$23 billion to the provinces.

Is this the kind of Canadian co-operation the hon. member dislikes? Does he not want to have this type of co-operation between the federal government and the provinces?

If he wants to talk about problems, let me tell him quite frankly that since separatism became a force to reckon with in Quebec, we have seen a great deal of change.

• (1320)

I was living in Montreal in 1970. In those days, Montreal was the very best city in Canada and in North America. But since we have separatism in Quebec, it is a challenge to get investments and create jobs. I would like to see the day when Montreal will regain its past glory. All Canadians will work together so that this happens one day, with Quebec being part of Canada.

Ms. Diane Bourgeois (Terrebonne—Blainville, BQ): Mr. Speaker, I have a question. The hon. member talked about nothing but powers throughout his speech. From the moment he stood up, he talked about powers.

I never felt any compassion whatsoever from the hon. member for the 1.3 million children living in poverty in Canada. I did not hear the hon. member say anything about the problem facing the families. He did not mention the fact that single mothers need social services, health care and education services.

There is also the fact that the federal government completely withdrew from social housing in 1994. It does not invest one cent in social housing anymore.

Does the hon. member opposite not think that it is high time to stop squabbling over powers and talking about separatism all the time, and to start thinking about the real people who need the money?

Hon. Jim Peterson: Mr. Speaker, I congratulate the member for that question because, on this side, we agree totally with her ideas.

Some hon. members: Oh, oh.

Hon. Jim Peterson: Let me say one thing. As far as children and working families are concerned, our investment in child benefits, which will reach nearly \$9 billion annually, is one of the most considerable ever made for children and low-income working families.

What we have done for education is very important for the future of all our youth. Even when there was a deficit we invested in post-secondary education. We had a budget for education and invested enormously through various programs: chairs of excellence, Canadian scholarships, millennium scholarships and tax credits for students.

We have given enormous amounts to that sector and Canadian universities have thanked us for all we did in the area of education because education might just be the most important thing for the economic future of our country and for individual opportunities offered to each and every Canadian.

Mr. Réal Ménard (Hochelaga—Maisonneuve, BQ): Mr. Speaker, with your permission, I would like to ask for the consent of the House to share my time with the member for Charlesbourg—Jacques-Cartier. In any case, I think it is in accordance with the standing orders.

It really takes quite a lot of nerve for government members to rise here in the House and tell us that everything is perfectly fine and to refuse to see a reality that the member for Saint-Hyacinthe—Bagog is not the only one to observe.

• (1325)

All the premiers, regardless of their allegiance, whether they represented a Progressive Conservative, New Democrat or Liberal government, including the former premier of Newfoundland and now Minister of Industry, came to the same conclusion as that of the Bloc Québécois today. This conclusion is that, in the Canadian federal system, there is an incredible distortion between the pressure under which the provinces are to provide services to their citizens in vital areas such as education, health and social services, and the situation of the federal government, which accumulates surpluses and is involved in areas where the pressure is much less.

A number of experts have mentioned the paradox whereby this government got rich partly because of free trade, while it was opposed to free trade. Beyond the economic policies that it has chosen, this government has had recurrent influxes of money, only because a free trade agreement was signed.

This government was opposed to free trade. It had pledged to abolish the GST. The whole thing became so ridiculous that anglophones say that GST stands for “give Sheila time”. It became

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a well known fact that this government did not feel bound by its commitments.

The motion put forward by the hon. member for Lévis-et-Chutes-de-la-Chaudière is asking that, through existing mechanisms, a first ministers' conference be called to decide on the type of fiscal rebalancing that should be considered to ensure the kind of balance that is so important in a federation.

When I was a university student I learned—and I am sure I am not the only one who did—that federalism is characterized by the coexistence of two levels of government in a state of balance. If this is the case, then we must call this conference, because we desperately need to correct the existing imbalance.

Here are some figures which I find very meaningful. Between 1993 and 2001, federal government revenues increased by 53%. During that period, its expenditures went down by 3%. If its spending were reduced, one does not need a doctorate in economy to understand that it made cuts and offloaded a number of responsibilities, or that the pressure to provide services is not on this government, but on the provincial governments.

In the meantime, during the same period—no one can say that our numbers are not precise—from 1993 to 2001, program spending in Quebec, when considering all the programs administered by the Quebec government, increased by 16%. It increased by 32% in health care alone.

I would like members to remember that a year ago all the health ministers asked their public service—so it is not the member for Saint-Hyacinthe—Bagot or the member for Hochelaga—Maison-neuve or the member for Lévis—the public service of each province was asked by its health minister to see what kind of pressure will be put on the different health departments throughout the country in the coming years.

This led to a study that I have here which says that for the next several years, not two or three years, but 15 years if the provinces want to provide exactly the same services every year, if all Quebecers who received health services last year expect to receive exactly the same services, the budget of Quebec's health minister will have to increase by 5%.

Mr. Yvan Loubier: Every year.

Mr. Réal Ménard: The hon. member for Saint-Hyacinthe—Bagot understands me well when he whispers to me that it is per year. That means that we will not come to the end of the tunnel if the status quo in the fiscal imbalance between the provinces and the federal government persists.

• (1330)

The 5% is attributable to the aging population, to the acquisition cost of medical technologies. For a hospital, acquiring a scanner

may cost millions of dollars and that is only for a single hospital and one piece of medical equipment.

Do members know what item is currently the most costly in hospital budgets? It is the increased spending on drugs. That expense cannot be cut down, so over the next few years there will be significant increases.

Let us acknowledge something. Has there ever been in the history of Canadian federalism, in the history of this parliament, a more hypocritical government than the one opposite? Has there ever been one? No.

An hon. member: No, it is the worst.

Mr. Réal Ménard: Look at the situation. This is a government that is raking in surpluses. The hon. member for Saint-Hyacinthe—Bagot mentioned certain data from the finance minister's estimates. He was talking about a \$60 billion surplus.

Mr. Yvan Loubier: His mistakes in estimates.

Mr. Réal Ménard: His mistakes in estimates were of about \$60 billion. Not only has the government accumulated surpluses to the extent that we know, but year after year, despite the host of economists working for it, despite the econometric models that exist, despite the Department of Finance's powerful computers, it has been unable to estimate its assets and surpluses correctly—

Mr. Antoine Dubé: Or it made a mistake on purpose.

Mr. Réal Ménard: There is no doubt that it made a mistake on purpose. This regime is based on hypocrisy, it is based on smoke and mirror tactics. Do you truly believe that people will accept that? No.

Let me give a few examples. While the government has these huge surpluses, there is money to be paid. There are legitimate demands from the government of Quebec. These demands often come from both the Liberals and the Parti Québécois. When dealing with such issues, there is a consensus in the national assembly.

Let us take an example with which I am very familiar, the expansion of the Palais des congrès. How many times did the Minister of National Revenue, who is responsible for the Economic Development Agency of Canada for the Regions of Quebec, rise in this House to say, in a bragging tone of voice, "We believe in regional development and we want to use taxes paid by Quebecers to promote development in Montreal and the regions".

When the real test came, when the time came to get involved financially in structuring projects for Montreal, this government said no. It would not give anything, not even a penny.

We know about the tourism industry in Montreal. People from Europe and elsewhere come to Montreal to spend a few days and go to the Olympic stadium, and so on. But there is also what is called

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business tourism. That is what governments want to focus on, business tourism, not only pleasure tourism.

As a student, I was not as strong in economics as our finance critic, but I did take some classes where we were told “As the construction industry goes so goes the world”. The construction industry is very important. The government of Quebec paid for the expansion of the Palais des congrès all by itself, even though the federal government owes us \$59 million.

The federal government could have taken this opportunity to support economic growth in Montreal.

I could give the House other examples like the ice storm. Hydro-Québec has submitted a claim for \$400 million for losses incurred by crown corporations.

I see, Mr. Speaker, that my time is running out, although I feel like I have just begun. What I want to tell the government in conclusion is that everyone should support our motion, because it is not right for Ottawa to have all that money while so much pressure is being exerted on the services in the provinces.

[*English*]

Mr. Tony Valeri (Stoney Creek, Lib.): Mr. Speaker, I hesitate to use the word hypocritical. It is not my word. It was used by the hon. member across the way. What I find somewhat hypocritical is the fact that the Bloc is now recognizing tax points. This is great news.

I would inform the hon. member that when he is talking about the value of tax points with respect to health care, the value of the contribution by the federal government is 30 cents and not 14 cents.

• (1335)

I recognize the hon. member’s comments about some of the other pressures that are on the health care system with respect to the change in demographics. The hon. member should recognize some of the other transfers that are actually made to the province of Quebec, such as 32% of the health research funds. Health care research is critically important to ensure a sustainable health care system.

While I respect the fact that the member can stand up in the House and engage in the debate, he should do so by recognizing the facts. The facts are that the contribution to Quebec by the federal government is substantially larger than the hon. member is prepared to recognize. I ask the hon. member to recognize that fact.

[*Translation*]

Mr. Réal Ménard: Mr. Speaker, I am going to ask our colleague on the government side to read the conclusions of the Clair commission. This commission is not the Bloc Québécois or the government. The federal government is assessed as follows: “For every dollar spent by the Government of Quebec, 14 cents comes

from the federal government, no more, no less”. When our colleague suggests that it is 30 cents, I respectfully submit he is out to lunch.

Second, as concerns research and development, with the fifty centres belonging to the federal government on the Ontario side—well, they are in the greater Outaouais-Ontario region, they are not on the Outaouais side, but on the Ottawa side—the figures given me are fairly dramatic. They date from 1999 and show that Quebec receives only 14.4% of the jobs in R and D.

Is our fellow member asking us to be satisfied with that? Is he asking us to keep a provincial and colonial mentality? If that is so, I say that on this side of the House we will never agree to that.

Mr. Richard Marceau (Charlesbourg—Jacques-Cartier, BQ): Mr. Speaker, it is always intimidating to rise just after the very eloquent member for Hochelaga—Maisonneuve. However I will try to take the challenge offered so kindly to me by my colleague and friend from Montreal.

Since I have been listening to the debate I have had the feeling that government members have not taken the time to carefully read what we are debating. We are asking that the federal government call a federal-provincial first ministers’ conference for the purpose of rectifying the fiscal imbalance between the federal government and the provinces in offering a new way to share the tax base, including through a tax points transfer that will respect the constitutional responsibilities of Quebec and the other provinces.

We are not asking to turn everything upside down, change the world or reinvent the wheel. We want a proper forum to be created to deal with a lack of balance in the tax system, which is acknowledged by most economists and stakeholders in Quebec and Canada.

The representations or questions raised by the Liberal member who spoke before me could or will be brought to the table by the federal government for discussion by the first ministers. I do not agree with his point of view. Instead of making demagogic speeches as he did, let us create a forum where such discussions will be meaningful because they will lead to concrete action within a very short time.

Let me say that the reason why government members will not vote for the motion is because they like the current situation which is part of Canada’s nation building continuum, which started several decades ago and gathered speed in 1982 with the unilateral patriation of the constitution and is increasingly gathering speed since 1995.

• (1340)

This government is intent on turning the federal state that Canada should be into a unitary state. It is wants to weaken the provincial governments and turn them into big municipal govern-

ments, to rake in astronomical surpluses at the expense of the provinces so that Ottawa can wallow in money while the provinces have to take up increasingly difficult challenges with their heads barely above water.

While feeding mere crumbs to the provinces, the federal government is not just weakening them, it is also deciding on its own to dictate conditions on the transfer of new funds, impose national standards, bulldoze its own constitution—which sets out federal and provincial jurisdictions—to build a Canada that is more and more uniform nationally, a Canada that negates the specificity not only of Quebec, something which is crucial and essential, but also of other provinces.

We have many options. We still have in Quebec a continuous position that dates back to the Maurice Duplessis government. The Union Nationale governments of Duplessis, Johnson and Bertrand, the Liberal governments of Lesage, Johnson and Bourassa, and the PQ governments of Lévesque, Johnson, Parizeau, Bouchard and now Landry all had or have the same position. There is still a very broad consensus in Quebec that fiscal imbalance has been around for a long time and that it does exist. There is a consensus on this.

We know it only too well. We saw with the young offenders that there is no Quebec consensus that will stop this government. It is really a shame, and Quebecers will remember this when the time comes.

The member opposite talked about federal spending and said that the federal government gave more to Quebec than it deserved. That is what it boiled down to. I would like to respond, if I may, as follows. In 1997, federal government program spending in Quebec was \$28.3 billion, or 23.9% of the total for Canada. That is less than Quebec's demographic share, which is 24.4%. But it is worse than that because when we take a closer look we see the form this spending took.

Quebec is over-represented when it comes to equalization payments and employment insurance—\$2.9 billion more than its demographic weight—but under-represented when it comes to structuring spending, such as procurement of goods and services, investments and grants which represent \$3.5 billion less than its demographic weight.

According to an independent organization, the Institut de la statistique du Québec, this under representation of \$3.5 billion deprives Quebec of 45,500 jobs, which would account for half of the historic difference between the rate of unemployment in Quebec and in the rest of Canada.

When Premier Bernard Landry said that the federal system was not to Quebec's advantage, he went even further, and he was perfectly right. Other figures could be mentioned.

According to the Institut de la statistique du Québec, \$100 million in federal government spending generates 920 direct and

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381 indirect jobs. Spending of \$3.5 billion would therefore mean 45,500 jobs in Quebec.

More specifically, this means that these jobs amount to one and a half times the number of jobs in all of the Gaspé peninsula; 80% of the jobs on the North Shore; two-thirds of the jobs in Abitibi—Témiscamingue; one-third of the jobs in the Eastern Townships; and one-third of the jobs in Saguenay—Lac-Saint-Jean.

• (1345)

The federal government is not giving Quebec its fairshare. Given the losses incurred by Quebec because of the fiscal imbalance and given the losses incurred by Quebec because the money spent by the federal government in Quebec is mainly passive money and not structural spending that generates economic activity, jobs and economic development, this is not only a criticism of the federal government—as we have said before, successive governments in Quebec have raised this question since Duplessis—it is a criticism of the system itself and of the logic of the system. It is imposing more and more constraints on Quebec, with the result that it has to face increased social spending. My colleague from Hochelaga—Maisonneuve was talking about this a little earlier. Quebec's social spending is increasing at an alarming rate. In health alone, it is increasing by 5% per year.

Quebecers are faced with the following choice. They do not have to choose between the status quo and the full and complete control over their development. They have a choice between Quebec sovereignty and an increasingly centralizing and unitary federalism, which is weakening the provinces a little more every day, riding roughshod over the Quebec nation, negating more and more the reality of Quebec, ignoring its consensus and personality, in fact aiming at making the Quebec nation disappear in the medium and long term.

This is the choice that the people of Quebec have. We will see that Quebecers will make the right choice and realize that the solution lies in full control over their development mechanism, sovereignty.

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ): Mr. Speaker, I would like to ask my colleague a question in connection with an intervention by a former parliamentary secretary to the minister of finance.

He said we were in an advantageous position as far as R and D investments are concerned, spending on laboratories. What is he thinking of? We hear on all sides that this is not the case, that Quebec is disadvantaged. The government side always turns up with miraculous figures and proportions. I do not know where they get them. I do not know what mental gymnastics they use to come up with them.

Would the hon. member be able to give us the truth?

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Mr. Richard Marceau: Mr. Speaker, first of all, I would like to respond to the question of the hon. member for Saint-Hyacinthe—Bagot as to where the figures come from. I too would like to know. I think the Liberals just pull them out of the air before they come here.

When we look at the future of R and D investment—we are in an increasingly wired world, and the future belongs to the most productive R and D people—federal R and D investments in Quebec represent 14.4%, which is more than 10% less than our population share.

I can hear my hon. colleague from Saint-Lambert say it is not so. These figures come from the Minister of Finance's own statistics, her minister, who says that 14.4% of research and development expenditures go to Quebec. The most flagrant example is that of the federal capital—the only national capital in Canada is Quebec City—where all R and D centres in the greater Ottawa region are on the Ontario side. There is not a single one on the Quebec side.

I challenge the hon. member for Saint-Lambert to find a figure other than 14.4% for federal R and D expenditures in Quebec and to show me an R and D centre in the Outaouais region on the Quebec side as opposed to the Ontario side. I send her this challenge. Let her take the floor to tell us what the figures are, if they are other than the ones I have given.

• (1350)

[*English*]

Mr. Tony Valeri (Stoney Creek, Lib.): Mr. Speaker, I just could not let the member's comment go by. To use his word, fabrication is the topic of the day. The fact that we are here debating this issue is, in a lot of people's minds, a fabrication.

From what I have heard to date, the Bloc is engaged in some phenomenal gymnastics. If the figure I provided earlier is not enough, perhaps the hon. member would want to get up and challenge the fact that Quebec receives 26% of the infrastructure dollars and 50% of the technology partnership fund which are actual dollars that flow directly into the province of Quebec.

Let us not dwell on throwing these numbers back and forth but let us recognize that there is a role for the federal government. The role is to maintain a united country that works for the best interests of all Canadians. That is something I do not believe the hon. member has with respect to his interest in being in this House.

[*Translation*]

Mr. Richard Marceau: Mr. Speaker, if the Liberal member who just asked a question wanted to be honest, he should not be so close to the tree that he ignores the forest.

I will explain. It is easy to look at a program in isolation, but we should consider the whole situation. The figures for his own

department are as follows: the Quebec share of federal spending on goods and services is 21%; its share of current transfers to businesses is 16.5%; its share of R&D is 14.4%. These figures come from his department.

It is quite easy to look at just one program. Instead of being too close to a single tree, let us look at the forest. When we do this, we realize that Quebec is being short changed.

The Acting Speaker (Mr. Bélair): I must remind the hon. members that all members are honest.

[*English*]

Mr. Steve Mahoney (Mississauga West, Lib.): Mr. Speaker, I find it interesting that the only resolutions or ideas that come from the Bloc deal with taking money, power or both, and we know they are both the same, away from the federal government and giving increased money and power to the provincial government in Quebec City.

We know what the agenda is of the members from the Bloc but I find it curious indeed when I sit in this place and see the Leader of Her Majesty's Loyal Opposition stand in his place and rap his arms warmly around the Bloc's concept of stripping power away from the federal government and increasing it at the provincial level.

What we have here is a group in opposition who are indeed provincial politicians who should be selling their wares in the beautiful province of Alberta or in the province of Quebec. The reality is that there is a role, much to the chagrin of the Bloc Quebecois, for the federal government.

Mr. Speaker, I will also be splitting my time after question period with the member for Markham.

I find it astounding to hear members of a national parliament stand in their place, as a member opposite did, and refer to the nation of Quebec and to hear the Canadian Alliance agree with that. The reality is that there is no nation of Quebec. There is a wonderful province of Quebec in the nation of Canada. It is about time those members understood that.

I heard a member also stand in his place and ask when the Liberals were going to accept the consensus of the people of Quebec? I have a message for that member. Perhaps that member did not get it in the last election.

• (1355)

The Liberals won 10 additional seats in the province of Quebec in the last election. We accept that. We are quite happy to accept that. We have 36 or so people in the Quebec caucus representing the federal government in the province of Quebec.

The issue is not whether Quebec City, Toronto Queen's Park or Alberta should have more authority to take more money away from the people, or whether or not the federal government should deliver

services. The real issue is that the provincial governments, and my province of Ontario is a classic example, having done this for years, continue to run a deficit while cutting taxes, which means they are cutting taxes while borrowing money to pay for those tax cuts. Someone help me understand where that fits in economics 101.

How can the province of Ontario, with a straight face, hand out to all hospitals around the province envelopes with \$2 million, \$3 million, \$4 million, and \$5 million for the purpose of buying capital equipment? When we add up the amount of money being transferred to the hospitals it just happens to be \$294.5 million. That happens to be the exact amount of money transferred from the federal treasury to the province of Ontario for the purpose of acquiring new equipment. Is that not interesting?

How can the province then turn around and announce it will spend \$114 million on children's services under the ministry of community and social services? When we look at the CHST and the amount of money transferred under that agreement to the province of Ontario from the federal government, it just happens coincidentally to be \$114 million.

The real issue is how to make the nation work. I suggest there is a very important role for the government to play in terms of national standards. I say to the members of the Bloc Québécois that there is only one nation. Outside of the one policy they have in their policy platform they are not bad parliamentarians, except that every once in a while that one policy, like eating a bad cucumber, comes back up.

That policy simply says that they want to destroy Canada. I have news for them. We will not let them do it under any circumstances. Under our watch there is no chance and no way that they will have success in convincing either Quebecers or Canadians that somehow we should split the country along provincial lines. It is not on.

I had the privilege of attending the FCM conference in Banff, Alberta, last weekend where I spoke to many people from Alberta and many people from right across the country. The people from Alberta love this country. They will not allow any kind of an unholy alliance between the Canadian Alliance and the Bloc Québécois destroy what amounts to the greatest country in the world, a country of which we are all very proud.

STATEMENTS BY MEMBERS

[Translation]

FOREURS DE VAL-D'OR

Mr. Guy St-Julien (Abitibi—Baie-James—Nunavik, Lib.): Mr. Speaker, today is a day of great celebration in Val-d'Or, in

honour of the hockey players, coach and trainers of the Foreurs de Val-d'Or, and their solid performance at the Memorial Cup in Regina.

The Foreurs de Val-d'Or's super performance is the result of their character, great spirit and exceptional team solidarity. They never let up, right to the final game.

The Quebec major junior hockey league champions and Memorial Cup finalists will be feted as champions this evening at the Palais des sports de Val-d'Or, and greeted by the cheers of the hockey fans of Val-d'Or and the entire Abitibi—Témiscamingue region.

* * *

• (1400)

[English]

CENSUS RECORDS

Ms. Carol Skelton (Saskatoon—Rosetown—Biggar, Canadian Alliance): Mr. Speaker, in today's *National Post* there is a story about Grey Alexander, an Alberta sheep farmer, who is upset that the local area census worker has access to personal information about him.

Mr. Alexander was contacted by a census worker after he failed to complete the long census form in full. The problem is the census worker is someone he knows quite well.

To quote Mr. Alexander, "Elements of my income end up with somebody I see twice a week. What if it's a business competitor or somebody you have acrimony with? This is a small town".

In today's Saskatoon *Star Phoenix* there is a letter describing a similar situation. To quote the writer, "There is no one in our community to whom I knowingly would have provided all the private personal confidential information contained in the census form. Not even the loans officer at my bank in town".

Statistics Canada clearly needs to do a far better job of protecting confidentiality of census data in rural areas.

* * *

[Translation]

JEAN-DOMINIC LÉVESQUE-RENÉ

Mr. Bernard Patry (Pierrefonds—Dollard, Lib.): Mr. Speaker, every year the United Nations Environment Program awards the prestigious Global 500 award to individuals who have made an exceptional contribution to environmental protection.

I am extremely pleased to announce to the House that this year's Global 500 Youth Environment Award went to Jean-Dominic Lévesque-René, a young Canadian from Île-Bizard, which is in my riding.

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Although only 17 years old, Jean-Dominic has been involved for some years in a personal crusade against pesticide use. His crusade is an intensely personal one, because he has overcome non-Hodgkin's lymphoma, which he links to pesticide use in his community.

I thank Jean-Dominic and all of the Lévesque-René family for their tireless work to raise Canadians' awareness of the danger of pesticide use.

Congratulations, Jean-Dominic.

* * *

[English]

CITIZENSHIP AND IMMIGRATION

Mr. Mark Assad (Gatineau, Lib.): Mr. Speaker, the member for Cariboo—Chilcotin raised a case in this place two days ago. Although the member was correct in saying that the Citizenship and Immigration Department had not sent him a written response to his query since last August, he conveniently omitted to mention that the Minister of Citizenship and Immigration's staff had been in telephone contact with his office several times to resolve this matter to everyone's satisfaction.

This omission gives us the impression that he is playing politics with people's cases at the last hour. This is hardly the way to get the job done, especially when it involves very complex cases.

* * *

[Translation]

WORLD NO TOBACCO DAY

Mr. Yvon Charbonneau (Anjou—Rivière-des-Prairies, Lib.): Mr. Speaker, World No Tobacco Day, held every May 31, is organized by the World Health Organization.

This year's theme is "Tobacco Kills—Don't be Duped". The aim of the campaign is to make the public aware of the harmful effect on health of exposure to secondhand smoke and to promote the use of strong measures to limit exposure.

[English]

Secondhand smoke is a real and significant threat to public health. Supported by two decades of evidence, the scientific community now agrees that there is no safe level of exposure to secondhand smoke.

[Translation]

On May 31, Health Canada is joining Physicians for a Smoke-Free Canada in holding a seminar on federal, provincial and municipal legislation in this regard.

[English]

As well, Health Canada's youth advisory committee on tobacco issues will sponsor the national virtual blue ribbon campaign for World No Tobacco Day. The campaign will involve the dissemination of an electronic version of a blue ribbon featuring the slogan "Let's Clear the Air".

* * *

HOCKEY

Mr. Kevin Sorenson (Crowfoot, Canadian Alliance): Mr. Speaker, I rise today to congratulate the Camrose Kodiaks hockey team in winning the Royal Bank Cup national junior championship.

The Kodiaks became the second consecutive Alberta junior team to win the national championship. This was the fourth time in seven years Alberta has claimed the honour of having the best Junior A, tier II team in the country.

Camrose defeated the host Flin Flon Bombers 5 to 0 in the finals on May 13 and tonight they will celebrate their momentous victory.

When asked to explain why their team was victorious, the Kodiak players said that they had a great bunch of guys that were a tight knit group. Being friends and being close is what made them the better team. These guys know how to play hockey.

• (1405)

I take my hat off to the Kodiaks and to the great community of Camrose for its outstanding support. It has been a fantastic accomplishment and they have done us all proud.

* * *

OXFORD CHILDREN'S GROUNDWATER FESTIVAL

Mr. John Finlay (Oxford, Lib.): Mr. Speaker, this week over 3,100 elementary school students will converge on Pittock conservation area in my riding of Oxford. They are taking part in the Oxford Children's Groundwater Festival. As one of the original organizers of this event, I was very pleased to be present during the opening day festivities on Monday.

Through over 40 hands on activity centres, these students are having enormous fun while gaining insight into the vital role that water plays in our lives. They are learning about the water cycle and the importance of conserving and protecting our water resources.

In light of the recent tragic events in Walkerton and North Battleford, it is particularly important to teach our children respect for their environment and the clean water that sustains us.

I ask my colleagues to join me in congratulating the festival sponsors, organizers and 400 volunteers for making this wonderful event possible.

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[Translation]

MEMORIAL CUP**WORLD NO TOBACCO DAY**

Mr. Réal Ménard (Hochelaga—Maisonneuve, BQ): Mr. Speaker, under the theme of “Tobacco Kills—Don’t be Duped”, World No Tobacco Day has two aims: to encourage the authorities responsible to take specific steps and to make the public aware of the real problem that secondhand smoke represents.

It is not a minor irritation to non-smokers, but a real danger to public health in general. A smoker inhales only about a third of a cigarette, and secondhand smoke contains 43 cancer causing chemicals. Over half the population is exposed daily to secondhand smoke.

Tobacco smoke is a real health threat and ranks third as a primary cause of death, behind active smoking and the use of alcohol. There is no doubt that secondhand smoke causes a number of deaths each year.

Let us join together in our fight against smoking and particularly against the harmful effects of secondhand smoke on public health in general.

[English]

ORDER OF CANADA

Mr. Bob Kilger (Stormont—Dundas—Charlottenburgh, Lib.): Mr. Speaker, it is with great pleasure that I bring the name of Mr. Jake Lamoureux of Cornwall to the attention of the House.

In this the international year of the volunteer, Mr. Lamoureux personifies the very word volunteer.

Over his lifetime he has served as president of six different organizations, has chaired 10 different events and served on fundraising committees for 11 different organizations.

Big Brothers and Big Sisters, the United Way, the Children’s Aid Society, the Canadian Cancer Society, the Cornwall Chamber of Commerce, Hotel Dieu Hospital Board Foundation, the Children’s Treatment Centre and Medic Alert Foundation are some of the organizations that have benefited from the efforts of Jake Lamoureux.

Today he was honoured by being received into the Order of Canada as a member for his volunteer efforts.

For Mr. Lamoureux this award is not only for himself but it is recognition of the support he has received for his years of dedication to volunteerism, support from his family members, such as his sister the late Lorraine Robertson, his good friends, such as Angelo Towndale, and the community.

I offer Mr. Lamoureux my personal congratulations and that of the community for being received into the Order of Canada.

Mr. Bob Mills (Red Deer, Canadian Alliance): Mr. Speaker, this past weekend the Red Deer Rebels won the Memorial Cup in Regina. Our last national cup was the Centennial Cup in 1980. The team finished first out of 55 teams. They won 79 of 105 games they played this year.

The Rebels have worked extremely hard to obtain this title and should be very proud of themselves. The Rebels’ solid work ethic starts at the top with their coach Brent Sutter. Brent and his assistant, Dallas Gaume, and many others in the organization have done a fantastic job in bringing out the best in these talented players to build an aggressive and team oriented group of young men.

The Red Deer Rebels are an outstanding organization. The hockey club is very active in central Alberta and support many worthwhile causes. As the member of parliament for Red Deer constituency, I am proud of the Rebels as is all of our community.

I again congratulate the Rebels for a fantastic season and for making all of Red Deer and central Alberta proud.

* * *

[Translation]

BILINGUALISM

Ms. Hélène Scherrer (Louis-Hébert, Lib.): Mr. Speaker, yesterday evening, the Canada-Belgium parliamentary group held its first event of the season, a roundtable on the theme “Ottawa, a Bilingual Capital”.

Several distinguished guests, including the Minister and Vice-President of the capital region of Brussels and Chair of the European Union regions’ committee, Jos Chabert, the Ambassador of Belgium, the Canadian Minister of Intergovernmental Affairs, the Chairman of the National Capital Commission and the Commissioner of Official Languages, contributed to an eclectic evening that produced lively discussions.

● (1410)

These discussions stressed the importance of preserving bilingualism in our national capital and, more importantly, in our vast country. This meeting with Belgium officials made us appreciate their efforts to promote multilingualism.

They showed us that a country can thrive even more when its citizens respect their various languages and cultures, and those of their neighbours.

As co-chair of the group, I firmly believe that the vision presented to us at these meetings can help us promote our linguistic duality.

S. O. 31

[English]

LAW OF THE SEA CONVENTION

Mr. Peter Stoffer (Sackville—Musquodoboit Valley—Eastern Shore, NDP): Mr. Speaker, I would like to bring to the attention of the House the fact that in 1994, 1995, 1996 and yesterday the hon. member for Davenport has raised this question to his own government: When is the government going to ratify the law of the sea convention? Four different ministers in six years have said the same thing, "It is our number one priority. We need to do it right away. We will do it right away".

It was a 1993 red book promise that the Liberal government, if elected, would sign the law of the sea convention.

We are now hearing disturbing reports that the Atlantic salmon off our east coast is in very serious trouble and that other aquatic species throughout our coastlines are in very serious trouble. Thousands of fishermen and their families will lose their livelihood if the government does not get off its butt and ratify the law of the sea now.

* * *

[Translation]

NATIONAL CANCER SURVIVORS DAY

Mrs. Suzanne Tremblay (Rimouski-Neigette-et-la Mitis, BQ): Mr. Speaker, on Sunday, the whole world will celebrate the 14th annual Cancer Survivors Day. It is the largest cancer survivor event.

It was organized for the first time in 1987 in Kansas City by Richard Bloch, a cancer survivor, and his wife Annette, to remind people that a diagnosis of cancer is not an automatic death sentence.

Since then, each year, on the first Sunday in June, we pay tribute to those who are undergoing or have undergone cancer treatment. Statistics show that in Canada one person in three will be diagnosed with cancer.

But it is reassuring to know that more than half of those affected by cancer can look forward to a full recovery. The great hope of researchers is to someday be able to cure all those who are diagnosed with cancer. Several colleagues in the House and myself are living proof that cancer can be beaten.

I encourage all those who are engaged in a battle against that disease to hang in there and to keep their hopes up.

Some hon. members: Hear, hear.

* * *

[English]

ORDER OF CANADA

Ms. Nancy Karetak-Lindell (Nunavut, Lib.): Mr. Speaker, today Mr. Ralph Ritcey will receive the Order of Canada for his commitment to education and the Inuit of Canada.

As superintendent of education for the federal department of northern affairs, Mr. Ritcey was dedicated to making sure Inuit could pursue further education in the south.

When I left my home of Arviat to finish high school in Ottawa, I was fortunate to meet Mr. Ritcey and be one of those touched by his work. For Inuit to leave their home to seek education in the south was often hard and the time and effort Mr. Ritcey spent in assisting the students helped in making the process easier for many of us.

The efforts of Mr. Ritcey contributed greatly to the creation of Nunavut as many of the leaders benefited from his educational policies.

Nunavut thanks Mr. Ritcey for his passion for education and the care he took of his students. I sincerely congratulate him on his well-deserved Order of Canada.

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NATIONAL DEFENCE

Mr. Gerald Keddy (South Shore, PC): Mr. Speaker, the operational requirements for the helicopters that will be replacing the Sea Kings have been lowered to two hours and twenty minutes with a thirty minute fuel reserve. This allows Eurocopter's Cougar to qualify for the reduced endurance capacity, a capacity that is significantly lower than the four hour flying time offered by the Sea Kings when they went into operation in 1962.

In 1996 the Liberals decreased requirements to three hours with a thirty minute reserve. In 1999 the Liberals decreased requirements to two hours and fifty minutes with a thirty minute reserve. The government now has dropped to the absolute minimum accepted by military specifications to two hours and twenty minutes and the reserve.

When will the government make decisions based on logic and reason and not based on the Prime Minister's pride?

Oral Questions

• (1415)

*[Translation]***ASSISTANCE TO VICTIMS**

Mr. Claude Duplain (Portneuf, Lib.): Mr. Speaker, I would like to tell the House about the Government of Canada's initiative to help victims in Quebec.

The Société de criminologie du Québec and the Regroupement d'étudiants: prévention et intervention touchant la santé et la sexualité de l'UQAM have received more than \$50,000 in funding.

This funding will promote discussions among those working in the criminal justice system. It will also help to raise awareness of victims' needs.

In addition, through their assistance fund and work, these organizations help to build victims' trust in the criminal justice system.

* * *

FRENCH IMMERSION PROGRAMS

Mr. James Moore (Port Moody—Coquitlam—Port Coquitlam, Canadian Alliance): Mr. Speaker, I rise today in the House to pay tribute to Canadian Parents for French. Thanks to their efforts, a growing number of Anglo-Canadians express themselves well in French.

Today, over 300,000 Anglo-Canadian students are taking part in French immersion programs, and almost one quarter of Canadians between the ages of 18 and 29 speak English and French.

I am addressing the House in French today, and my sister is a teacher of French, because both of us participated in a French immersion program.

I am proud that the city of Coquitlam in my riding is the birthplace of French immersion schools in western Canada. I thank Canadian Parents for French and all the parents who make such an investment in their children's education.

I urge all parents to consider the benefits of learning a second language at school.

ORAL QUESTION PERIOD*[English]***NATIONAL DEFENCE**

Mr. Stockwell Day (Leader of the Opposition, Canadian Alliance): Mr. Speaker, in 1993, when the government cancelled the helicopter contract previously negotiated by the Tory government, there was a cost of almost half a billion dollars.

Now we understand with a process that will involve splitting the contract, as we have just discovered, there will be a cost of another \$400 million on top of the almost half a billion that has already taken place and there will be increased risk to military personnel.

Will the Prime Minister please tell us: With higher cost and higher risk, how does that add up to the best deal?

Hon. Alfonso Gagliano (Minister of Public Works and Government Services, Lib.): Mr. Speaker, first, overall savings for Canadians in the combined purchase of maritime search and rescue helicopters were in the range of \$1.5 billion over the EH-101 procurement of the past government.

Second, with one contract we had three potential bidders. With two contracts we have 13 potential bidders and they are Canadian companies. That means a better price, more competition, more Canadian technology development and more Canadian jobs.

Mr. Stockwell Day (Leader of the Opposition, Canadian Alliance): Mr. Speaker, it is not a better buy when we are purchasing a product that cannot do what the former one could do. It will not fly as far. It cannot do the job as well. It is not a better purchase.

In 1994 we understand that two servicemen actually perished when a Sea King helicopter caught fire in mid-air. Just last week a Sea King did an emergency landing on an Australian warship.

The government is not concerned about the extra risk. It is not concerned about the extra cost. Is it at least concerned about the extra delay in getting a good, safe product to our military?

Hon. Art Eggleton (Minister of National Defence, Lib.): Mr. Speaker, the hon. member is talking about old cold war requirements back in the seventies or even the sixties. We need a helicopter for the current and future needs of the Canadian forces. That is why the military recommended a change in the specifications. It is entirely a military consideration and recommendation that the government is adopting.

Meanwhile we are putting money into the Sea King to make sure it is safe to fly. Accidents can happen with any age of aircraft. We are cutting down on that possibility, that risk, by investing more money and making sure it is safe to fly.

Mr. Stockwell Day (Leader of the Opposition, Canadian Alliance): Mr. Speaker, this is not about old cold war. I am talking about the civilian in the cold water. The new product helicopter will not be able to reach him like the old one would. That is what we are talking about.

[Translation]

It is not up to the opposition to decide who will win the helicopter contract, but it is up to us to ensure that the process is open and transparent.

Oral Questions

Will the Prime Minister assure us that his government is not giving the edge to its friends, and that it is not keeping EH out of the selection process?

• (1420)

Hon. Alfonso Gagliano (Minister of Public Works and Government Services, Lib.): Mr. Speaker, on the contrary, we have established a process conducive to fairness and transparency.

I just finished saying this. With one contract, we have three bidders; with two contracts, we have thirteen. This means that there are more possibilities, more people who can bid, and therefore more competition, more transparency and a better price.

[*English*]

Mr. Peter Goldring (Edmonton Centre-East, Canadian Alliance): Mr. Speaker, the 25 year Liberal procurement merry-go-round continues. Where it stops nobody seems to know: \$500 million for a political cancellation, 25% of one cost estimate for the entire project, and new lower specifications: 25% less range, 25% less fly time, 25% less in mission capability, 25% less than the 40 year old Sea King.

Why is the Liberal way, the Liberal solution, a 75% helicopter the—

The Speaker: The hon. Minister of National Defence.

Hon. Art Eggleton (Minister of National Defence, Lib.): Mr. Speaker, again cold war mentality. That is not what we require today. The specifications are what the military say we require today.

The comment about the civilian in the water shows that the hon. member has no understanding of what this helicopter is about. It has to do with maritime patrol in blue water on high seas from the back of frigates. It is not the search and rescue helicopter. We have bought another helicopter for the search and rescue function.

Mr. Peter Goldring (Edmonton Centre-East, Canadian Alliance): Mr. Speaker, let us listen to what the military has to say about this requirement:

—the required endurance of a helicopter mission to aid an naval vessel in distress 100 miles from Shearwater, Sydney or St. John's. . . could be greater than three hours.

That is from an internal DND document. It continues:

A less capable aircraft would lack the time. . . to achieve. . . probability of success.

Why is the minister saying the military is lowering the requirements when this document clearly indicates that politics are lowering the mission standard by a full 25% below the Sea King?

Hon. Art Eggleton (Minister of National Defence, Lib.): Mr. Speaker, there was quite clearly some discussion within the military and a desire to clarify different requirements, but this was

all done within the military context by people who are expert in this matter.

Ultimately they recommended to me, and I recommended it to cabinet, the statement of requirements that stands today. There was no political interference in the statement of requirements.

* * *

[*Translation*]

YOUNG OFFENDERS

Mr. Gilles Duceppe (Laurier—Sainte-Marie, BQ): Mr. Speaker, Quebec's success in rehabilitating young offenders has nothing prefabricated about it, to borrow the expression used by the Minister of Intergovernmental Affairs.

Its good results are very real. With the exception of P.E.I., Quebec has the lowest youth crime rate in Canada.

Does the Minister of Justice realize that the government is shrugging off the opinion of the experts responsible for Quebec's success with rehabilitation, the same experts who are unanimous in denouncing her bill, the bill that passed in this House. There is still time for her to react.

[*English*]

Hon. Anne McLellan (Minister of Justice and Attorney General of Canada, Lib.): Mr. Speaker, I have reacted to this opinion. As I have said throughout, our new youth justice legislation provides all provinces with sufficient flexibility to pursue policies and programs that make sense for them. That is very true for the province of Quebec.

[*Translation*]

Mr. Gilles Duceppe (Laurier—Sainte-Marie, BQ): Mr. Speaker, all those who are involved in this, all those working in the field, do not share the minister's opinion, even those who might be more likely to be in favour of repression. By this I mean the victims of crime.

The director of the Bureau d'aide aux victimes d'actes criminels is also of the opinion that the new young offender legislation is not good for either youth or victims.

Will the minister admit that all reasoning people in Quebec want to see the focus on rehabilitation and are unanimously opposed to the legislation she wants to impose?

[*English*]

Hon. Anne McLellan (Minister of Justice and Attorney General of Canada, Lib.): Mr. Speaker, this new legislation puts increased emphasis on rehabilitation and reintegration of young people into society. Therefore I would call upon the Bloc to support our efforts in that regard.

• (1425)

I return to the basic point that there is sufficient flexibility in this legislation for the province of Quebec to pursue policies and programs as it sees fit.

[Translation]

Mr. Michel Bellehumeur (Berthier—Montcalm, BQ): Mr. Speaker, when so many experts and credible individuals such as judges, police officers and social workers reject her bill and tell the minister she is making a mistake, the minister should listen.

Does the minister not hear alarm bells from the experts who tell her that her bill is threatening the Quebec approach, which promotes rehabilitation rather than repression?

Those who apply the law and are the source of Quebec's success are telling you that you are wrong, Madam Minister. Is that not setting off a bell—

The Speaker: Order, please. The hon. member knows that he must address his remarks to the Chair.

[English]

Hon. Anne McLellan (Minister of Justice and Attorney General of Canada, Lib.): Mr. Speaker, as I have said before, our new youth criminal justice legislation increases the focus upon rehabilitation and reintegration.

As I have also said before in the House, we will be providing additional resources to all provinces including Quebec to build upon their successful programs and policies.

[Translation]

Mr. Michel Bellehumeur (Berthier—Montcalm, BQ): Mr. Speaker, instead of going after the separatists, is the government prepared to acknowledge that the experts opposing this bill do so because the statistics indicate, year after year, that Quebec's approach is the best?

These people, in contact with the victims and with the relatives of these victims, have the figures and recognize that Quebec's model works, that we are on the right track and that we are properly applying the law.

Why does the minister not listen to reason in this and acknowledge that Quebec is right?

[English]

Hon. Anne McLellan (Minister of Justice and Attorney General of Canada, Lib.): Because in fact, Mr. Speaker, we have listened. We have listened to those who are experts in the youth justice system across the province of Quebec.

That is why we have enhanced our focus on rehabilitation and reintegration. That is why we are providing additional resources to all provinces to carry on their policies and programs.

Oral Questions

FRESHWATER EXPORTS

Ms. Alexa McDonough (Halifax, NDP): Mr. Speaker, the government pretends that it is opposed to the export of bulk water. Yet Environment Canada has issued a tender call to estimate the economic value of our water "to help government make decisions on water exports".

If the federal policy is really no to the export of bulk water, why is the government advancing the very opposite behind the backs of Canadians?

Hon. David Anderson (Minister of the Environment, Lib.): Mr. Speaker, the hon. member is mistaken both in her preamble and in her question.

There is no policy change by the Government of Canada. The government remains committed to the prohibition of movement of bulk water out of watersheds. We will continue to protect water at the source rather than at the border.

Ms. Alexa McDonough (Halifax, NDP): Mr. Speaker, I think it is crystal clear what the government is up to. It is putting a price tag on our water so that when it decides to export it, it will be ready, which is exactly what we feared in 1999 when Environment Canada's website stated that bulk water exports await the development of foreign markets.

To clear up any confusion about where the government stands, will the minister immediately remove the tender call for water commodification?

Hon. David Anderson (Minister of the Environment, Lib.): Mr. Speaker, I really do not know where the hon. member has been since Walkerton. Witness after witness has pointed out that the way Canadians value water has led to its misuse. The way Canadians assume water is a free good is one of the reasons they appear unwilling to pay the amounts of money needed to protect water sources.

The member should look at the testimony given in Walkerton and she will find the importance of making sure that we collect the data needed so we can make intelligent decisions when it comes to water and its protection.

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NATIONAL DEFENCE

Right Hon. Joe Clark (Calgary Centre, PC): Mr. Speaker, I have a simple question for the minister of public works. Did his former deputy minister, Ranald Quail, ask the minister for written direction on how to proceed with the Sea King replacement project and did the minister provide that written direction?

Hon. Alfonso Gagliano (Minister of Public Works and Government Services, Lib.): Mr. Speaker, as ministers we receive a lot of communications between deputy ministers and ministers. I

Oral Questions

do not think I should reveal what discussions have taken place between me and my deputy minister.

• (1430)

I can tell the hon. member that the procurement strategy the government decides is very clear. The procurement strategy is open and transparent. It is open to everybody. As I said before, with one contract we had three possible bidders. With two contracts we have thirteen possible bidders. I think that is a very open and transparent procurement strategy.

Right Hon. Joe Clark (Calgary Centre, PC): Mr. Speaker, let me try this simple question again. Did the minister refuse to give his most senior official the written direction his most senior official requested on this politically contentious file?

Hon. Alfonso Gagliano (Minister of Public Works and Government Services, Lib.): Mr. Speaker, I always give directions to my deputy. I have been doing it since I have been a minister and I will continue to do so.

* * *

NATIONAL DEFENCE

Mr. Charlie Penson (Peace River, Canadian Alliance): Mr. Speaker, according to an internal briefing note from the chief of the maritime staff, senior navy and air force officers were stunned to learn of changes to the statement of operating requirements for the new marine helicopter project. They note that there was no explanation of why the changes to the statement of operating requirements were necessary.

Since these changes probably came from the Prime Minister's Office, could the Prime Minister please explain why they were necessary?

Hon. Art Eggleton (Minister of National Defence, Lib.): Mr. Speaker, it was part of a dialogue between people in the navy and people in the air force as to what our requirements would be, given our needs now and in future. There was discussion and dialogue about the old cold war types of requirements, which was a different kind of mission altogether.

They went through all of this and at the end of the day the Canadian forces made a recommendation to me. I in turn made it to cabinet. There was no political interference in the matter.

Mr. Charlie Penson (Peace River, Canadian Alliance): Mr. Speaker, we will see. The memo we obtained indicates that the Sea King helicopter is one of only three aircraft armed with significant weapons systems in the Canadian forces and that a change to the

statement of requirements is in effect directing the staff to acquire a non-combat capable aircraft to replace the one meant for combat. They are to replace that one with a non-combat aircraft.

Why did the minister's office rewrite the requirements?

Hon. Art Eggleton (Minister of National Defence, Lib.): Mr. Speaker, my office did not rewrite the requirements. It was quite clear the navy decided that the kind of helicopter we needed today was quite different from the helicopter needed at that time and that we were not into an anti-submarine warfare kind of scenario as we were during the cold war.

Patrol and surveillance, extending the surveillance capabilities of our frigate ships, was the purpose. That is what they ended up writing the specification for. There was no political interference in their doing that.

* * *

[Translation]

EMPLOYMENT INSURANCE

Mr. Paul Crête (Kamouraska—Rivière-du-Loup—Témiscouata—Les Basques, BQ): Mr. Speaker, for years now, the Bloc Québécois has been fighting for unemployed workers and against government cuts to the EI system. Today, the Standing Committee on Human Resources Development has just approved the Bloc Québécois' position and is recommending substantial changes in the EI system to the government.

Will the minister accept the recommendations of the all-party committee, convince the Minister of Finance that he must stop raiding the EI fund to the tune of \$6 billion a year, and use this money for unemployed workers?

[English]

Hon. Jane Stewart (Minister of Human Resources Development, Lib.): Mr. Speaker, I thank and congratulate members of the committee for their work on employment insurance. Indeed today they tabled their report and in it are included a number of recommendations that they ask the government to consider.

As is always the case, I will take the time to review the report in detail and respond to the committee in due course.

[Translation]

Mr. Paul Crête (Kamouraska—Rivière-du-Loup—Témiscouata—Les Basques, BQ): Mr. Speaker, the Minister of Finance has the money, the minister now has the recommendations, and unemployed workers need changes to be made to the EI system now.

Oral Questions

Would the minister agree to proceed by unanimous consent by the end of the session so that we can pass the necessary legislation by the end of June?

[English]

Hon. Jane Stewart (Minister of Human Resources Development, Lib.): Mr. Speaker, I remind the House and the hon. member that it was Liberal members on this side of the House who worked with the government to ensure the changes presented in Bill C-2 found speedy passage.

• (1435)

I would remind the House that it was the Bloc members who voted against the intention to repeal the intensity rule, who voted against the changes to the clawback provision and who voted against the changes to the re-entrance provision for parents. I think they have a lot of answering to do to their constituents.

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CENSUS RECORDS

Mr. Grant Hill (MacLeod, Canadian Alliance): Mr. Speaker, the census information is supposed to be private and confidential. Imagine the dismay of one of my constituents to find that his neighbour had access to every personal question on his census form.

Why was that personal information made available to neighbours?

Hon. Brian Tobin (Minister of Industry, Lib.): Mr. Speaker, the census information in question was made available to a census official who was sworn to secrecy and subject to penalties if the information was made public. This was somebody doing a job. I think it is a disservice to describe those officials as a neighbour. This was someone working.

If any Canadian does not want to provide information to the census that way, they have an opportunity to send their information through the mail or through a 1-800 line. There should be no question about privacy in this regard.

Mr. Grant Hill (MacLeod, Canadian Alliance): Mr. Speaker, the minister should tell that to Grey Alexander, my constituent. He got a phone call from the census worker and he said "Trudy, is that you?" Trudy said "Yes, it is me". Trudy has quit her job because it is so intrusive.

Grey Alexander says that he will not fill out that information, and I say it is intrusive, so my question stands. Why is personal information being made available to neighbours and acquaintances? It should never happen.

Hon. Brian Tobin (Minister of Industry, Lib.): Mr. Speaker, the member has now gone from describing the individual in question as a neighbour to being a census official.

There is provision that anybody who wants to provide census information in an anonymous fashion can do so. Unless it is the position of the party opposite that there ought to be no census information, that we can just assume that we all began with alligators in the swamp, I think we should stick with the census.

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[Translation]

OFFICIAL LANGUAGES

Mr. Benoît Sauvageau (Repentigny, BQ): Mr. Speaker, earlier this week, the minister responsible for official languages told us that he was closely monitoring the situation at Air Canada and Nav Canada, and that the government was very concerned by it. But, through its various spokespersons, the government has been repeating the same thing for 30 years.

It is time to act. Can the minister tell us what concrete measures he intends to take to correct this totally unacceptable situation that is dragging on?

Hon. Stéphane Dion (President of the Queen's Privy Council for Canada and Minister of Intergovernmental Affairs, Lib.): Mr. Speaker, the Commissioner of Official Languages issued a very disturbing preliminary report. Air Canada said that it would act on it. It is in its interest to do so, because it is being accused of not respecting the law. This is a very serious matter. We will follow it up very closely and so will the Standing Joint Committee on Official Languages.

Mr. Benoît Sauvageau (Repentigny, BQ): Mr. Speaker, the minister should stop following.

If he is serious about settling this matter, what is he waiting for to table a concrete plan of action to bring permanent solutions and put an end to a problem that has been dragging on for over 30 years?

Hon. Stéphane Dion (President of the Queen's Privy Council for Canada and Minister of Intergovernmental Affairs, Lib.): Mr. Speaker, this is a very serious matter and this is why we will not develop a plan based on a preliminary report, but on the final one.

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[English]

THE ECONOMY

Mr. Jason Kenney (Calgary Southeast, Canadian Alliance): Mr. Speaker, a growing number of business leaders are expressing concern about the so-called productivity initiative being led by the Ministers of Industry and Human Resources Development, the Bonnie and Clyde of the federal treasury.

Catherine Swift of the CFIB says that this initiative is "potentially some big black hole".

Oral Questions

Why is the Prime Minister again undercutting his finance minister by allowing these big spenders to invent new bureaucratic programs? Why will he not listen to the business community which says that productivity in this country will not go up until capital taxes, EI premiums and marginal rates go down?

Hon. Brian Tobin (Minister of Industry, Lib.): Mr. Speaker, on this side of the House we work together in a collaborative fashion for the benefit of all Canadians.

On that side of the House the Leader of the Opposition has the advantage of your advice and support and we all know where that has led in terms of productivity.

The Speaker: I hope the Minister of Industry was not suggesting that the Speaker was taking sides in supporting anyone in this House with his expression of “your”. I know the hon. member intended to address his remarks through the Chair and I have a feeling they were not.

• (1440)

Mr. Jason Kenney (Calgary Southeast, Canadian Alliance): Mr. Speaker, I note that his leadership rival chose not to answer the question. He talks about productivity. Under this government productivity has fallen by seven points against the U.S. Personal disposable income has gone from 83% of U.S. levels to 55% of U.S. levels. Productivity is going down three times as quickly as it is in the United States.

How will a whole array of new Ottawa style bureaucratic spending programs solve this serious problem? Why does the government not get its priorities straight, listen to the business community and bring our taxes down so that our productivity and standard of living go up?

Hon. Brian Tobin (Minister of Industry, Lib.): Mr. Speaker, I think the House will acknowledge, as certainly everybody on this side acknowledges, that under the leadership of the Minister of Finance and the government we now are in a position where we have a more competitive capital gains tax rate than the United States, better treatment of stock options and more flexibility than the United States.

We have a front end loaded five year tax reduction brought about by the Minister of Finance. I am proud to say he is the greatest minister of finance in Canada's history, a great man.

Some hon. members: Hear, hear.

The Speaker: Order, please. Hon. members must know the Speaker has a cold. I cannot quell a disturbance by yelling as much as I usually do. I am asking for some co-operation.

[Translation]

TOBACCO PRODUCTS

Mr. Jeannot Castonguay (Madawaska—Restigouche, Lib.): Mr. Speaker, my question is for the Minister of Health. The tobacco industry is selling light and mild cigarettes as safe cigarettes.

Can the Minister of Health tell hon. members of this House what he is doing to ensure that the tobacco industry can no longer use the terms light and mild to market its cigarettes?

Hon. Allan Rock (Minister of Health, Lib.): Mr. Speaker, a very large number of Canadians wrongly believe that mild and light cigarettes are safer and less harmful. This is not true. The tobacco companies have created that impression. They have disguised the reality through their marketing strategy.

As a government, we believe that Canadians are entitled to have access to the true facts. This is why I have today asked the companies to withdraw these brands. If they refuse, we will take action.

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EMPLOYMENT INSURANCE

Mr. Yvon Godin (Acadie—Bathurst, NDP): Mr. Speaker, today the Minister of Human Resources Development received a copy of the additional report on the employment insurance program tabled by the Standing Committee on Human Resources Development.

Last November, the Liberal government admitted that the program was too rigid and required changes.

Is the minister going to give serious consideration to the recommendations contained in this report, and will she commit to making significant changes to the employment insurance program, to at last correct the errors of the past?

[English]

Hon. Jane Stewart (Minister of Human Resources Development, Lib.): Mr. Speaker, the government understands the importance of employment insurance to Canadians. I think it is clear to the House and to Canadians that this is important to us, because every year we monitor and assess the impact of employment insurance on citizens across the country.

As part of the informed debate, the work of the committee will be considered and the views of the committee are part and parcel of the monitoring and assessment of this very important program.

*Oral Questions***HEALTH**

Ms. Judy Wasylycia-Leis (Winnipeg North Centre, NDP): Mr. Speaker, we have limits on mercury in fish in this country for purposes of health protection just like we have limits on mercury in fish all around the world.

The government has decided that some fish with dangerous levels of mercury are okay because they will only harm some of the people some of the time. It gives no information to fish sellers and tells pregnant women “Don’t worry. There is a warning for you on the Internet”.

Will the health minister stop such negligence and disregard of human health and accept his responsibility for ensuring all species of all fish are safe for all people every day of the week?

Hon. Allan Rock (Minister of Health, Lib.): Mr. Speaker, the health of Canadians is protected by the government. Health Canada does have strict limits on all these toxic ingredients and we enforce them.

We let consumers know what the safe limits are for eating certain fish where the levels are elevated. That is the way to protect the health of Canadians. The member and those who raise this issue should stop scaremongering, or is it fishmongering?

* * *

• (1445)

[*Translation*]

EMPLOYMENT INSURANCE

Mr. André Bachand (Richmond—Arthabaska, PC): Mr. Speaker, seasonal work’s peak period has arrived. The current Employment Insurance Act and its regulations are making hundreds of families poorer and damaging the economy of a number of regions of the country.

There are still too many seasonal workers who do not qualify. Could the Minister of Human Resources Development tell us whether she will amend the act soon and thoroughly, in order to enable seasonal workers to receive benefits?

[*English*]

Hon. Jane Stewart (Minister of Human Resources Development, Lib.): Mr. Speaker, I remind the hon. member that just recently we passed Bill C-2 in which we repealed the intensity rule. That does have a direct impact on seasonal workers.

As the hon. member points out, the issue of seasonal work is one that pertains to particular regions across the country. That is why we are working, region by region, with communities to help diversify the economy and find new solutions for employment for Canadians living in those parts of the country.

[*Translation*]

Mr. André Bachand (Richmond—Arthabaska, PC): Mr. Speaker, the minister says “region by region”. Let us provide an example to better illustrate the problem.

Last year, the minister justified having workers from Charlevoix change regions by linking the lower north shore and Minganie region with the Lower St. Lawrence, L’Islet and Montmagny region. The effect of this was to penalize seasonal workers in Charlevoix.

The minister can act immediately and quietly to help the workers of Charlevoix. Is she prepared to do so now?

[*English*]

Hon. Jane Stewart (Minister of Human Resources Development, Lib.): Mr. Speaker, as I said, on this side of the House we understand the importance and use of employment insurance, but we also believe that the most important tool is a job.

That is why we are working directly with communities. I and my colleague responsible for economic development in the provinces of Quebec and New Brunswick are working to assist specific communities build a stronger economy and to focus on ensuring that the men and women living in their communities have access to work.

* * *

GRANTS AND LOANS

Mr. Jim Abbott (Kootenay—Columbia, Canadian Alliance): Mr. Speaker, today we learned that the Auberge des Gouverneurs, the hotel the Prime Minister showered with grants and loans in the months prior to the 1997 election, has filed for bankruptcy protection.

Given that the taxpayers are on the hook for the money, will the Prime Minister take responsibility for the millions of dollars he obtained from Canadian taxpayers to finance this failed business venture?

Hon. Brian Tobin (Minister of Industry, Lib.): Mr. Speaker, I am very surprised the member would put the question in that way given that with respect to this project the local caisse populaire; the mayor and councillors of Shawinigan; Société québécoise de développement de la main-d’oeuvre; the local tourist association; the provincial péquiste member of parliament, Claude Pinard; the local MNA for the house of assembly; and a variety of different funding institutions participated in developing this facility.

From time to time we do have bankruptcies in Canada. They happen in all ridings represented in this assembly, but no one would suggest that governments should not participate—

The Speaker: The hon. member for Kootenay—Columbia.

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Mr. Jim Abbott (Kootenay—Columbia, Canadian Alliance): Mr. Speaker, let us take a look at what the minister and the government are responsible for, not the other part of it.

Let us talk about the federal government's part: \$720,000 from HRDC and \$925,000 from the BDC, at election time by coincidence. The federal economic development agency lent the hotel \$400,000 and gave the adjoining convention centre \$658,000. That is \$2.7 million. Surely even the minister must take \$2.7 million as a serious amount of money to be responsible for.

Hon. Brian Tobin (Minister of Industry, Lib.): Yes, Mr. Speaker, that is a serious amount of money to be responsible for. I am very happy to report that with respect to the BDC the funds it provided are totally secured in this transaction.

* * *

[Translation]

INTERNATIONAL TRADE

Mr. Marcel Gagnon (Champlain, BQ): Mr. Speaker, yesterday, the parliamentary secretary said that there has been no change in government policy on the issue of cheese sticks for the last 20 years.

The minister does not seem to be aware that, in 1995, there was a change. The government agreed to an import quota of 20,412 tonnes of cheese products.

My question is for the Minister for International Trade. Why is the minister continuing to jeopardize the cheese industry by granting additional import permits in excess of the quotas that were negotiated?

• (1450)

Hon. Pierre Pettigrew (Minister for International Trade, Lib.): Mr. Speaker, there has been no change in Canada's policy on this matter for the past 20 years.

Unfortunately, since 1999, the United States has refused to import Canadian products that are of excellent quality. Our government is determined to reopen the U.S. market to Canadian cheese producers.

As for occasionally allowing imports in excess of the quotas, this always happens for specific consumers who need a specific product. It is the only way these import permits are issued.

Mr. Marcel Gagnon (Champlain, BQ): Mr. Speaker, it is time the minister reviewed his file.

Because of his careless handling of this issue, cheese stick imports have increased by 70% over the past three years.

Why does the minister persist in telling the House that if we import products it is because we have needs? This is false. Producers tell us that they have all they need to meet domestic demand.

Hon. Pierre Pettigrew (Minister for International Trade, Lib.): Mr. Speaker, the hon. member is contradicting himself. He is saying we do not need it, but imports have increased by 70%.

If imports have increased by 70%, it must be because there is a demand on our market.

We will continue to protect and to promote the interests of Canadian producers who make very good products that are popular in our market. We also want to reopen the U.S. market, from which they have been cut off since 1999.

* * *

[English]

JUSTICE

Mr. Bob Mills (Red Deer, Canadian Alliance): Mr. Speaker, Canadians want Lisa's law. It may be too late for Lisa Dillman but it is not too late for thousands of Canadian children across the country.

The Minister of Justice talks about putting children first. This is a perfect example of how she has failed again. Her lack of action defends the rights of pedophiles over children.

I ask again: Will the Minister of Justice ensure that children will never be forced to visit pedophiles in jail ever again?

Hon. Anne McLellan (Minister of Justice and Attorney General of Canada, Lib.): Mr. Speaker, in relation to this very difficult and troubling situation, the hon. member is probably aware that we and the provinces are in the process of reviewing the Divorce Act and family law legislation across the country.

I certainly encourage the hon. member and anyone else who is interested to make known their views as to whether or not we can better define that which is in the best interests of the children for the purposes of the Divorce Act.

Mr. Bob Mills (Red Deer, Canadian Alliance): Mr. Speaker, study, study, study, that is all we hear.

John Schneeberger, a convicted sexual offender and pedophile, is using his children to get at his ex-wife. His children are being used as pawns in a sick game. When these types of individuals are convicted of sexual assault they should lose their ability to force visits with children.

I ask again: Will the minister change this law so that it never happens again? We do not need to study it. Canadians are saying it is wrong.

Hon. Anne McLellan (Minister of Justice and Attorney General of Canada, Lib.): Mr. Speaker, as I have pointed out to the hon. member on a number of occasions, and as Mr. Justice Foster made plain in a court in Red Deer on Friday, Mrs. Dillman can either appeal or seek variation of the custody and access order.

I would encourage her to do that as quickly as possible to end this difficult situation for everybody.

* * *

TOBACCO PRODUCTS

Ms. Carolyn Bennett (St. Paul's, Lib.): Mr. Speaker, my question is for the Secretary of State for Children and Youth. Today is World No Tobacco Day. Recently released figures show that smoking rates for youth are declining, but we have a lot more work to do, particularly with young women, aboriginals and in Quebec.

Could the secretary of state tell the House what the Government of Canada is doing to combat smoking among Canada's youth?

Hon. Ethel Blondin-Andrew (Secretary of State (Children and Youth), Lib.): Mr. Speaker, earlier this month the Government of Canada announced a \$480 million tobacco control strategy. Of this amount, \$210 million will go toward a mass media campaign with special emphasis on youth.

I am also pleased to inform the House that earlier today my colleague the Minister of Health launched three youth pilot projects: Rightstuf Racing, Blue Ribbon Campaign and VRAI. These projects are designed to raise awareness on tobacco issues and to build on the protection, prevention and cessation elements of the new tobacco control strategy.

* * *

• (1455)

GRANTS AND LOANS

Mr. Rick Casson (Lethbridge, Canadian Alliance): Mr. Speaker, the government is about to guarantee a huge loan of Canadian taxpayer money to an American company just so it can buy Canadian airplanes. The loan is estimated to be worth \$1.5 billion. The Minister of Industry has spun this as a one time deal to save jobs.

With the emergency funding tab multiplying every few months, how many exorbitant one time deals will Canadians be on the hook for, for this one private company?

Hon. Pierre Pettigrew (Minister for International Trade, Lib.): Mr. Speaker, I know the Alliance has always had a soft spot for Embraer. There was a time when it was providing all the information it could against Bombardier to help it at the WTO. Despite the Alliance's effort, we have won four panel decisions at the WTO.

We will get to the bottom of this affair and will safeguard the jobs of thousands of Canadians, not only in Quebec, as those members would like people believe, but from coast to coast, led by Bombardier, a great champion of Canadian industry.

Mr. Rick Casson (Lethbridge, Canadian Alliance): Mr. Speaker, \$1.5 billion is a lot of money. Would it not be better for

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the government and the aerospace industry in Canada to level the sanctions in the four cases we have won against Brazil, instead of guaranteeing loans?

The Prime Minister told us he would fight fire with fire when dealing with unfair trade situations with Brazil. Will he make the right decision when dealing with hard working taxpayer money?

Hon. Pierre Pettigrew (Minister for International Trade, Lib.): Mr. Speaker, our government will make the decisions that are necessary to bring Brazil back to the table. We want to end this folly of subsidies in the aircraft business.

It does not make any sense for Brazil to go that route. Canada is determined to go back to dialogue and negotiation with Brazil. We will take the means necessary to convince the Brazilians to come back to the negotiation table and stop these financing loans at costs that are not acceptable in the aircraft business.

* * *

[Translation]

REGIONAL DEVELOPMENT

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

Yesterday, the government of Quebec announced a grant of \$23.5 million to the integrated centre for pulp and paper technology in Trois-Rivières. The university, the CEGEP and the industry have thus joined forces to make our region a leader in pulp and paper training and development throughout Quebec and eastern Canada.

In light of the promises of the Liberal Party of Canada during the election campaign, when does the Minister of Industry intend to make his decision known to stakeholders in the Mauricie region, who are waiting on his commitment to make this project a reality?

Hon. Alfonso Gagliano (Minister of Public Works and Government Services, Lib.): Mr. Speaker, my colleague, the Minister of National Revenue, received a new request for financial assistance on April 5. The file is under study and, as soon as it has been analyzed, we will make our position known.

* * *

[English]

CANADA CUSTOMS AND REVENUE AGENCY

Mr. Paul Harold Macklin (Northumberland, Lib.): Mr. Speaker, what is Canada Customs and Revenue Agency doing to ensure that its workforce continues to be representative of the four employment equity designated groups now that it is a separate employer?

Ms. Sophia Leung (Parliamentary Secretary to Minister of National Revenue, Lib.): Mr. Speaker, our agency is committed to

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have a workforce which reflects all Canadian people. We will have full representation of all designated groups, such as disabled, visible minorities, women and aboriginals. We are proud to meet that target.

* * *

AGRICULTURE

Mr. Howard Hilstrom (Selkirk—Interlake, Canadian Alliance): Mr. Speaker, the Prime Minister in a reincarnation of Captain Canada, or is it now captain alligator, has said that he will wage a Brazilian aircraft war by fighting fire with fire. What about our farmers who only receive one-third of the subsidy received by U.S. farmers?

The government is not willing to match agriculture subsidies throughout the U.S. but gives this multinational corporation, Bombardier, whatever it takes. Where is the fire to fight fire for our Canadian farmers?

Hon. Herb Gray (Deputy Prime Minister, Lib.): Mr. Speaker, I think the hon. member ought to check with his deputy leader, the hon. member for Renfrew—Nipissing—Pembroke, who was quick to praise a federal loan to Haley Industries, a subcontractor of Bombardier, located in her riding.

● (1500)

At the same time, this government has provided over \$500 million in additional funding for farmers in outright grants. If the member wants to praise the industry in the deputy leader of the opposition's riding, then he ought to accept the validity of support for Bombardier and for our farmers.

* * *

SHIPBUILDING INDUSTRY

Ms. Alexa McDonough (Halifax, NDP): Mr. Speaker, this concerns the steady erosion of the shipbuilding industry in this country and the devastating loss of shipyard workers' jobs.

I commend the minister for facilitating an important collaboration between the shipbuilders and the shipyard workers in this country. He now is in receipt of an excellent report breaking through with solid recommendations for what we need to do to advance our shipbuilding industry.

When can Canadians expect a detailed response and, more important, concrete action from the government to enhance the shipbuilding industry?

Hon. Brian Tobin (Minister of Industry, Lib.): Mr. Speaker, first, may I thank the member for her question and agree with her that the report indeed is an excellent report in that it departed from the traditional approach vis-à-vis shipbuilding. It has made no request, no claim and no argument for the notion that we can maintain the industry by maintaining the basis of subsidies for shipbuilding.

Instead, it has built its report upon the belief that an innovative shipbuilding industry, taking those skill sets, those shipyards and finding the niches where it can be successful, is what government, the private sectors and the unions working together ought to achieve.

We are working on the report and we expect a response in the weeks ahead.

* * *

PRESENCE IN GALLERY

The Speaker: I would like to draw the attention of hon. members to the presence in the gallery of His Excellency Claudio Mansilla, Minister of Foreign Trade and Investment of the Republic of Bolivia.

Some hon. members: Hear, hear.

The Speaker: I would also like to draw the attention of all hon. members to the presence in the gallery of Tony Knowles, Governor of the State of Alaska.

Some hon. members: Hear, hear.

* * *

BUSINESS OF THE HOUSE

Mr. John Reynolds (West Vancouver—Sunshine Coast, Canadian Alliance): Mr. Speaker, I would like to ask the government House leader the usual Thursday question, the business for the rest of the week and the business next week.

Hon. Don Boudria (Leader of the Government in the House of Commons, Lib.): Mr. Speaker, this afternoon we will continue debate on the Bloc opposition motion.

On Friday we would like to commence consideration at report stage and third reading of Bill S-24, the Kanesatake legislation. We would then take up the report stage of Bill C-11 on immigration, followed, if there is any time, with the report stage of Bill C-25, the Farm Credit Corporation legislation.

When we return on Monday, we will commence debate at report stage and third reading of Bill S-17, the patent legislation.

On Tuesday, we will proceed with third reading of Bill C-11.

On Wednesday, we will take up report stage and third reading of Bill S-16, the money laundering legislation, followed by report stage of Bill C-25 if necessary.

I know all members have been reading with attention the report of the commission, chaired by the hon. Ed Lumley, on compensation which was tabled earlier this week. I hope to continue consultations next week and would hope that we could find a way to deal with these issues at that time in relation to the report provided to us by Commissioner Lumley and others.

POINTS OF ORDER

BILL S-15

The Speaker: Today the Chair heard submissions on a point of order raised by the government House leader in relation to Bill S-15, a bill that has now received first reading in the House. At the request of certain hon. members, the matter was deferred until today for two hon. members to make submissions. The hon. House leader for the opposition perhaps could give the Chair the benefit of his advice on this point.

• (1505)

Mr. John Reynolds (West Vancouver—Sunshine Coast, Canadian Alliance): Mr. Speaker, the two questions raised with respect to Bill S-15 are in regard to the need for a royal recommendation and whether the levy described in the bill is a tax.

The fundamental purpose of the requirement for a royal recommendation is to limit the authority for appropriating money from the consolidated revenue fund to the government.

In section 2 of the Financial Administration Act, appropriation is defined to mean any authority of parliament to pay money out of the consolidated revenue fund. The consolidated revenue fund is defined to mean the aggregate of all public moneys that are on the deposit of the credit of the receiver general. Only ministers can obtain the necessary approval from the governor general for a royal recommendation to appropriate these funds. The constitution stipulates that bills requiring or processing a royal recommendation must originate in the House of Commons.

With respect to Bill S-15, the money raised through the levy is to be collected by the Canadian tobacco industry. Therefore I see no requirement for a royal recommendation for the bill.

The second question has to do with whether or not the levy established through the bill constitutes a tax. In plain language of the bill, the bill speaks in terms of a levy rather than a tax. The purpose of the levy, as stated in the bill, is to meet an industry purpose beneficial to the industry, although the industry purpose also has public benefit.

The levy is imposed exclusively on tobacco products of whatever description and is to be spent in pursuit of the goals listed in the bill. Consequently, what is being proposed is a levy, not a tax.

Erskine May describes two criteria by which a bill proposing a levy is exempt from the financial procedures, including the adoption of a ways and means resolution that would normally apply to bills imposing a tax. The first criterion is that the levy must be for

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industry purposes. The second is that the funds collected must not form any part of government revenue.

Erskine May includes examples of bills from the United Kingdom which were regarded as levies, as well as those which failed to meet either or both of these two criteria.

There are recent Canadian experiences, as well. In this parliament we have the example of Bill C-27 which imposes a levy on the nuclear industry. The government felt it necessary to attach a royal recommendation to the bill and adopted a ways and means motion prior to its introduction.

In support of Bill S-15, we have the example of Bill C-32, an act to amend the Copyright Act, which was considered in the 35th parliament. Bill C-32 imposed a levy on the sale of blank tapes to be distributed to artists and artist groups as a form of royalty. Bill C-32 did not have a royal recommendation and the bill was not preceded by a ways and means resolution.

In Speaker Parent's ruling of December 2, 1998, regarding Bill S-13, the predecessor to Bill S-15, he cited the following:

The levy was of benefit to that industry since it permitted the audio duplication of copyright material for private use. This would enhance the market for blank audio tapes. The levy on the tapes was designated to raise funds by which owners of copyright material would be compensated for losses caused by private duplication of that material. The link between the benefit to the industry and the levy being imposed seems clear in that case.

To make a comparison of Bill C-32 to Bill S-13, the Speaker went on to say of Bill S-13:

Surely the lack of credibility referred to here is a function of our common sense understanding of the self-interest of the tobacco industry, namely, that as a commercial enterprise its primary goal is to expand its markets and thereby to increase profits. Young people would constitute the future growth potential for the industry's market. How could it be to the benefit of the industry to reduce smoking among the very people who would constitute its growth market? It is this implausible proposition that underlies the credibility problem to which the bill refers.

With all due respect to Speaker Parent, he may have been a competent school teacher and a respected speaker of the House but that did not qualify him as a director of marketing for a tobacco company.

I, myself, do not pretend to guess at the marketing strategy of those corporations. If the fate of the bill hinges on whether the levy is a benefit to the industry or not, we should get that answer from the tobacco industry itself.

• (1510)

The claim that the bill is not beneficial to the industry is false. The industry has been asking for this very bill. It has been running ads in support of Bill S-15. I have a copy here and I will give a copy to you, Mr. Speaker, at the end of my comments. At the end of the ad it states:

Points of Order

Imperial Tobacco and JTI MacDonald strongly support Bill S-15. We believe that it is consistent with our companies' view that underage people should not smoke and that the decision to do so should be an informed one made only by adults. We commend those who have worked so hard to help bring Bill S-15 towards reality and reaffirm our support for the Bill and the Foundation it would create.

There you have it, Mr. Speaker. The industry clearly supports the bill. If we go back and consider Speaker Parent's suggestion that common sense prevail, it is common sense that Bill S-15 is beneficial to the tobacco industry since it is going to great lengths and spending large sums of money on these ads promoting the bill.

The other weakness in the argument of Speaker Parent in this is when he said:

How could it be to the benefit of the industry to reduce smoking among the very people who would constitute its growth market?

Mr. Robert Parker, chairman and chief executive officer of the Canadian Tobacco Manufacturers' Council, stated before the Standing Senate Committee on Legal and Constitutional Affairs on April 1, 1997, the following:

The manufacturers agree that youth should not smoke, period.

Don Brown, past chairman, president and CEO of Imperial Tobacco and chair of the Canadian Tobacco Manufacturers' Council, made similar comments regarding youth smoking to the Vancouver Board of Trade on October 1, 1998. He said "We believe children should not smoke—".

Finally, Speaker Parent, in his ruling, overlooked the fact that selling cigarettes to minors is against the law. He was suggesting that breaking the law is a common sense marketing strategy.

In the event the Speaker is sympathetic to the point of view of the government House leader, I offer another alternative, and this will be my last point.

In our rules there are exemptions regarding financial matters. Standing Order 80(1) states:

All aids and supplies granted to the Sovereign by the Parliament of Canada are the sole gift of the House of Commons, and all bills for granting such aids and supplies ought to begin with the House, as it is the undoubted right of the House to direct, limit and appoint in all such bills, the ends, purposes, considerations, conditions, limitations and qualifications of such grants, which are not alterable by the Senate.

Standing Order 80(2) states:

In order to expedite the business of Parliament, the House will not insist on the privilege claimed—.

The standing order describes these circumstances as, and I quote:

—penalties thereby imposed are only to punish or prevent crimes and offences—

The purpose and the benefit of Bill S-15 would be to prevent young people from smoking. Since this is considered an offence, it would meet the criteria of Standing Order 80(2). I would think that the government and all members of the House would not, in this instance, insist on its financial privileges. Bill S-15 is aimed at significantly reducing underage smoking in Canada. What better reason is there than that.

Finally, the Senate Speaker, in his ruling of April 2, 1998 on Bill S-13 said that it was his view that, and I quote:

—matters are presumed to be in order except where the contrary is clearly established by the case. This presumption suggests to me that the best policy for a Speaker is to interpret the rules in favour of debate.

In this case I would argue that we should give the benefit of the doubt to the receivability of Bill S-15 and allow for debate and a decision by the House on a very important issue for the young children of this country.

Mr. Peter MacKay (Pictou—Antigonish—Guysborough, PC): Mr. Speaker, I would first like to express my gratitude to the Chair for deferring this matter in order to hear my brief submission, as well as the submission of my learned friend.

I will be focusing in on procedural, as opposed to legal or constitutional arguments, which is where I believe the focus should be on this particular point.

The issues at play are very important and very complex. They go to the very pith and substance of responsible government. The sad part is that it is the failure of the government to act responsibly that has given rise to this bill.

The ruling of Speaker Parent dealt with the content of Bill S-13. Bill S-15, we are told, was drafted to answer some of the procedural objections raised by the Chair. This bill of course we know originated in the Senate. Others have also addressed that point and supporting material has been filed with the Chair.

Speaker Parent's ruling seemed to reject, based on a common sense approach or standard, that the industry could not possibly want something that would hurt its own cause. Yet there is a clear indication that the industry does in fact want this scenario and has asked for it on previous occasions.

• (1515)

The logic seems to be that the industry was possibly in the process of hurting itself, yet the Speaker seemed to think this was implausible. Following that logic, if the industry was in favour of causing harm to children this would be illegal. We very much need to look at what the industry has said in this instance.

Points of Order

The government House leader has suggested that the levy proposed in the bill amounts to a tax and therefore a burden on the people. However there is proof that it is not a tax. If one examines in detail the provisions of the bill one will find that it is not a tax.

Let us look closely. The charge is made not on the population at large but is placed on the industry itself with the proceeds directed specifically and narrowly. The proceeds are to be used completely outside the process of government and, I hasten to add, for a positive benefit: the promotion of health and healthy living of young Canadians. The proceeds are not to be used by the government but are for private use.

There is a precedent for this situation. It is dealt with on page 763 of the 18th edition of Erskine May. At this point I must recognize that Speaker Parent resorted to precedent from the 22nd edition of May.

There is a corollary issue surrounding the issue of competing editions of this volume and the degree to which the house of commons at Westminster continues to indirectly legislate this parliament, but that is best left for another time. I will return to my friendly 18th edition of May where I find compelling precedents that outnumber the modest rule of the 22nd edition.

Speaking of instances where levies have been treated as matters outside the ways and means rules, Erskine May cites 10 instances of bills which oppose levies and levies which have been used for purposes other than direct positive benefits to an industry. The levy can be used for other purposes. Clearly precedents exist both in the jurisdictions of Great Britain and Australia. I submit that this is the case with respect to Bill S-15. I am quoting from page 763 of Erskine May which states:

It may sometimes be difficult to define the limits of an industry, as in the Wheat Bill, 1932 (which was treated as within this rule) under which levies upon importers of flour formed a fund for making payments to growers of wheat. An even more difficult case was the Mineral Workings Bill, 1951, under which a fund fed by contributions from ironstone operators, owners and the Exchequer was set up to restore agriculture land from which iron ore had been extracted. This again was held to be a levy on the operators and owners though it involved some extension of the rule.

The royal recommendation was required on the mineral workings bill because of the contribution required from the exchequer. That was significant in the House as recorded in volume 486 of *Hansard*, column 1809. There was no royal recommendation required in the instance of the wheat bill. Both bills passed both houses without being treated as taxes.

It is my submission that Bill S-15 has nothing to do with public funds. It distinguishes itself from the traditional definition of tax because there is no reference to public funding. All money collected from the companies would go directly to the foundation and would bypass general revenue. The government would not touch it. The origins and arrivals would not evolve around the

government or the public purse. It would in no way impact in terms of a revenue generating source.

Further, it distinguishes itself from any traditional definition of tax because there is no reference to public funding. If one were to look at it from a Canadian analogy or perspective, perhaps one should ask if it would be proper to originate a private bill in the Senate which established an enterprise such as a railroad, a church or an international bridge. In that legislation the enterprises were given the duty to carry out certain objectives and in return the right to make enforceable charges upon their clientele.

That is the situation that applies in this instance. There is a willing customer and a willing vendor seeking the right to carry out an enterprise under the authority of the Parliament of Canada.

• (1520)

The Speaker knows that private members' bills can and indeed regularly originate in the Senate. All sorts of special conditions and powers are granted to those private situations. When a bill arrives here from the Senate, the House does not look into the question of how the Senate views the bill. It arrives here not as a Senate public bill or a Senate private bill, but rather as a bill passed by the Senate to which the concurrence of the House of Commons is requested.

If the House is to restrict the right of the Senate to send us private bills which contain financial powers for the applicants, there will be a significant problem for canals and international bridges that levy tolls and for churches and other bodies established under the authority of the Parliament of Canada.

Mr. Speaker, in conclusion, I thank you again for facilitating my contribution to this procedural issue. As you have said, it is an important issue for the public to understand. The political issue is not one over which you have any influence. You are acting as referee on questions of compliance within the rules of the Chamber. All members understand and appreciate your duties in that regard.

The Speaker: I thank all hon. members for their interventions on this point. The Chair will take the matter under advisement, as I indicated yesterday, and will get back to the House at the first opportunity.

Mr. Derek Lee: Mr. Speaker, there have been consultations and I wonder if there would be consent to put forward two committee travel authorizations at this time, one dealing with the Standing Committee on Public Accounts and the other dealing with the subcommittee on international trade.

The Speaker: Is the House prepared to deal with these two motions at this time?

Some hon. members: Agreed.

*Supply***ROUTINE PROCEEDINGS***[English]***COMMITTEES OF THE HOUSE**

PUBLIC ACCOUNTS

Mr. Derek Lee (Parliamentary Secretary to Leader of the Government in the House of Commons, Lib.): Mr. Speaker, I move:

That seven (7) members of the Standing Committee on Public Accounts and three (3) staff persons of the Committee be authorized to travel to Regina, Saskatchewan, to attend the Twenty-Second Annual Conference of the Canadian Council of Public Accounts Committees from September 16 to 18, 2001.

The Speaker: Does the hon. parliamentary secretary have unanimous consent of the House to propose the motion?

Some hon. members: Agreed.

The Speaker: The House has heard the terms of the motion. Is it the pleasure of the House to adopt the motion?

Some hon. members: Agreed.

(Motion agreed to)

FOREIGN AFFAIRS AND INTERNATIONAL TRADE

Mr. Derek Lee (Parliamentary Secretary to Leader of the Government in the House of Commons, Lib.): Mr. Speaker, I move:

That, in relation to its examination of Softwood Lumber, six (6) members of the Sub-Committee on International Trade, Trade Disputes and Investment of the Standing Committee of Foreign Affairs and International Trade and the necessary staff be authorized to travel to Washington, D.C., for a period of two (2) days with travel taking place at some time during the period of June 1 to July 31, 2001.

The Speaker: Does the hon. parliamentary secretary have unanimous consent to introduce the motion?

Some hon. members: Agreed.

The Speaker: The House has heard the terms of the motion. Is it the pleasure of the House to adopt the motion?

Some hon. members: Agreed.

(Motion agreed to)

* * *

BUSINESS OF THE HOUSE

Mr. John Reynolds (West Vancouver—Sunshine Coast, Canadian Alliance): Mr. Speaker, I believe you would find consent for the following motion. I move:

That at the conclusion of the present debate on today's Opposition Motion, all questions necessary to dispose of this motion be deemed put, a recorded division deemed requested and deferred to the expiry of the time provided for Government Orders on Monday, June 4, 2001.

The Speaker: Is there unanimous consent for this motion?

Some hon. members: Agreed.

(Motion agreed to)

GOVERNMENT ORDERS*[English]***SUPPLY**

ALLOTTED DAY—FEDERAL-PROVINCIAL FISCAL ARRANGEMENTS

The House resumed consideration of the motion and of the amendment.

Mr. John McCallum (Markham, Lib.): Mr. Speaker, it is my pleasure to participate in the debate on the Bloc motion regarding transferring tax points to the provinces. I will broaden the discussion a little if I may because there are three components of the Bloc economic policy that form a logical and coherent whole. That can be taken as a compliment, I suppose.

[Translation]

The first component is today's motion, that is the transfer of tax points from the federal government to the provinces.

The second component, which coincides with that, is the Bloc's notion that the federal government's surpluses next year will be about \$18 billion—according to the Bloc—rather than \$7 or \$8 billion according to the economists. If that is true, it will be easier for the government to make such a transfer to the provinces.

The third component is the Bloc's idea that we should give up the Canadian dollar and use the U.S. dollar.

● (1525)

[English]

All three of these components are a logical and consistent whole because all of them separately and together lead to the same thing. All three lead to a weakening of the federal government, a weakening of the Canadian economy and an increase in the likelihood of the separation of Quebec from Canada. While they are logically coherent, I would for those reasons oppose them all very strenuously.

I will go through very briefly each of the three components of the Bloc economic platform. First, on the transfer of tax points, which

is the subject of the motion today, I will comment very briefly on the major elements of current transfers including tax points. I will then give the House two reasons why I think the Bloc motion makes little sense at all.

Right now there are three major components of transfers from the federal government to the provinces. The first consists of around \$18 billion of cash transfers, which was increased recently by the health accord in the fall of last year and added some \$20 billion of federal money for health over five years.

Next, and this is something the Bloc Quebecois and indeed all the provinces tend to forget, we have transfers in the form of tax points or taxing powers from the federal government to the provinces. This amounts to a value of \$16 billion today whereas in 1977 when the transfer occurred it was about one-tenth of that.

The fact that the Bloc and the provinces tend to ignore this tax point component is relevant, as members will see in a minute, to the subject of its motion respecting the transfer of further tax points.

The third component of special relevance and importance to Quebec concerns equalization payments made to have not provinces. This year those payments consisted of \$11 billion of which nearly half or \$5.4 billion went to Quebec. This equalization payment has been among the fastest growing components of our expenditures, having increased by 33% over the last decade or so.

[Translation]

It is the status quo. What the Bloc is proposing is that the federal government transfer more tax points to the provinces. In my opinion, this is not a good idea at all. What the federal government did last fall was to make the largest cut in personal income tax in Canadian history, a \$100 billion tax cut, but a tax cut for Canadian taxpayers.

What the Bloc Quebecois wants is not a tax cut for Canadian taxpayers, but a tax cut for Canadian provinces. In my opinion, it is a lot better for the federal government to cut personal income tax than to cut taxes for the provinces.

[English]

If any province wants more revenue it is entirely free to raise its own taxes, but if Ottawa has excess money it should cut taxes to the people, not to the provinces as the Bloc motion suggests.

The final point is even more important. It shows that the Bloc proposal is inherently and blatantly contradictory. We have had transfers of tax points from Ottawa to the provinces since 1977. Whenever provinces say how much Ottawa is contributing to health care or other social programs, unfailingly they never include the tax points. The provinces say Ottawa only pays 19% of health

Supply

care or some amount like that because they have forgotten the tax points, which would more or less double the contribution.

Now they want us to transfer further tax points. Do we think that in the future they will acknowledge that transfer when they report the contribution of Ottawa to provincial social programs? Obviously they will not, given the history of the last 24 years when they have never reported tax points.

• (1530)

[Translation]

So it is obvious that the object of this motion on transfer of tax points is to reduce the importance of the federal government in the eyes of Quebecers. That is the true objective of the Bloc Quebecois because, if the importance of the federal government is reduced in the eyes of Quebecers, this will advance the cause of separatists. This is its objective. It has nothing to do with the economy. It is purely political and a good reason to oppose this motion.

The second point is related to the first. According to the finance critic of the Bloc Quebecois, all bank economists who make these economic forecasts are always wrong and only the finance critic of the Bloc Quebecois is right. He showed with graphs the huge forecast errors economists made and the small forecast errors of the Bloc.

I told him the other day that perhaps he should not be here in parliament. If his forecasts are so wonderful, he should start his own business and he would become a millionaire.

[English]

It is true that if one can outperform the market in terms of economic forecasts one can be a millionaire.

[Translation]

But before the finance critic of the Bloc Quebecois makes this career change, if I were him, I would continue believing the economists. Consequently, it seems to me more reasonable to think that the federal surplus will be \$7 billion or \$8 billion, instead of \$18 billion, next year.

[English]

I will be very brief on this final point because it is all part of the same separatist circle coming together. It is the incessant clamour by the Bloc for Canada to give up its dollar and use the U.S. dollar. It is evident from a separatist point of view that this would be a very nice thing, because come the great day of separation, if we were all using the U.S. dollar, currency would not be an issue. However, if we were using the Canadian dollar, it would be a big problem. Obviously from a purely political view the Bloc favours dollarization.

I have one story to illustrate the point that there is very little support within the Canadian business community for dollarization.

Supply

We had a debate in Quebec on dollarization, which I participated before I got into politics. Three hundred business people came to the Montreal board of trade meeting. Then the organizers wanted to have a repeat debate at the Toronto board of trade but there was no interest. The dollarization issue is largely a Quebec issue, in particular a Quebec separatist issue, plus a sprinkling of academics across the country. It has no general backing from the Canadian business community.

In conclusion, I mention these three aspects of the Bloc program because they all hang together: the further transfer of tax points; the gross overestimate of next year's federal surplus; and the incessant clamouring to use the U.S. dollar. They are coherent in the sense that individually and taken as a whole they would lead to: first, a weakening of the federal government; second, a weakening of the Canadian economy; and third, an advancing of the cause of Quebec separation. On all three of these grounds I strongly oppose this motion.

[*Translation*]

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ): Mr. Speaker, to listen to the member for Markham, a former chief economist of the Royal Bank, people would think that he would make a much better novelist than an economist, especially with such wild imaginings.

On the matter of sovereignty alone, I say this to him: no motion of the House of Commons will bring it about. If he thinks it is a step in this direction, he is mistaken. We will decide on sovereignty at home in Quebec with a referendum the issue of which will be decided by the people of Quebec. He will have nothing to say on the matter. That is the first thing.

• (1535)

Second, if the single currency is linked to separatism, is Thomas Courchene, North America's top macroeconomist—at least considerably better than he is—, who supports a single currency, a separatist?

Is David Dodge, the Governor of the Bank of Canada, who sees the single currency as unavoidable in the three Americas within the next 10 years, another separatist?

I think the member for Markham has a problem somewhere.

There is another problem with what he has just said. He talks of economists' forecasts. He is looking out for himself. He was one of the small group of four or five economists that gravitated around the Minister of Finance until last year. Not all of them predicted such ridiculous surpluses as this gang, the buddies of the Minister of Finance.

When the real non partisan economists—and here we can see he is partisan, he became the federal Liberal member for Markham—

were consulted, they thought the forecasts of the Minister of Finance were laughable and forecast surpluses of about the same amount as we had.

If he is here today, I put the question to him, is it because he lacked the ability to forecast at the Royal Bank, in fact?

Mr. John McCallum: Mr. Speaker, I will respond to these three points.

First, the motion has nothing to do with separatism, at least not directly. This is not a referendum. What I said is that the more tax points are transferred to the provinces, the less important the federal government is in Quebec. This advances the cause of separatism. This is what I said.

Second, I said that it was actually Quebec which was in favour of a single currency, namely the U.S. dollar, because no one among Toronto business people wanted to hear about it.

I also said that a handful of academics including Thomas Courchene supported the idea. I admit to it.

Finally with regard to the finance minister's buddies, yes, I became a Liberal, but I am the only one. The other ones are probably more conservative. I did not make the forecasts, the big forecasting agencies made them, namely universities. They have no axe to grind, no political axe to grind.

Maybe they are right, maybe they are wrong, but they are politically neutral.

Mr. Mario Laframboise (Argenteuil—Papineau—Mirabel, BQ): Mr. Speaker, I just wanted to point out to my colleague from Markham that before the election he said, "Mr. Martin has erred in his forecasts for political reasons so that the surpluses turn out to be larger than planned".

What does he have to say about that?

Mr. John McCallum: Mr. Speaker, as usual Bloc members are totally out of context. This is the same interview in which I said that the Bloc critic should join the private sector if his forecasts were truly so fantastic.

What I said in this interview—he missed the important point—was: "It could have been said two or three years ago that Mr. Martin would do that—For the past two or three years economists have been making forecasts and they have no political agenda."

At least, for two or three years, the surpluses could not have been deliberately inflated because they were forecasted by private sector economists.

Ms. Francine Lalonde (Mercier, BQ): Mr. Speaker, I will be sharing my time with the hon. member for Papineau—Argenteuil—Mirabel.

Supply

• (1540)

I want to address today's motion from the Bloc Québécois, because I want to remind the House where these enormous surpluses come from. There have been a lot of them since 1996.

Half come from cuts to the employment insurance fund. These cuts, and the state of the economy, have helped the government generate surpluses year after year. These were planned surpluses. Every year, about six or seven billion dollars are paid by workers, even those who only earn \$1,000, and by small and medium sized businesses that employ the largest number of workers with salaries that do not, or barely reach the ceiling at which one stops paying employment insurance premiums. This is a regressive type of contribution.

The government got these surpluses from the workforce and the small and medium sized businesses, which are said to play a critical role in our economic development, particularly in Quebec. They are the ones who made the greatest contribution to the surpluses.

What did the government do with these surpluses? Essentially two things. When the surpluses came as a surprise, following a dubious planning process, at the end of the year they were automatically used to reduce the deficit. There was no debate. Yes, there were negotiations on health, but these came only after the government was put under a lot of pressure, after television and newspapers presented dramatic stories about what was going on everywhere in the health care system.

The federal government also took these surpluses to use, if not abuse its spending power in provincial jurisdictions, particularly in Quebec. Of course, there was a referendum in 1995; the government knows there will be another one and has already started campaigning.

There is one consequence of these cuts to the employment insurance plan and to transfers for health and education that has not been mentioned. I repeat, before they were increased, health transfers were drastically reduced. Yes, there was a slight increase, but it depends on how one looks at it; they went down from \$19 billion to \$11 billion, and then up to \$13 billion. The cuts are slightly less severe, but they are still huge.

In education, there were even bigger cuts. When I sat on the industry standing committee, year after year we heard from university professors and researchers, health researchers for example, who were in a terrible situation. While funding for universities in the United States, including in the area of medical research, was increasing sharply, what was happening in Canada? Such funding was decreasing, and it was decreasing sharply. We have just begun to see again investments in that area. But, again, it is the federal government that will decide where the money is spent.

I would like to point out something. Canada prides itself on the international scene of having very generous social measures. The

OECD tells us that, in fact, as far as social spending is concerned, and I am including all social spending in the area of health, education, pensions and so on, from 1980 to 1997—when Canada invested a lot more—Canada ranks 25 out of 29 in this regard.

Some say that Canada is a generous country and that we should make even more cuts. This is the case of our colleague from Markham, for example, who says that we have to reduce income tax instead of transferring tax points to the provinces so that they can take care of health, education and all the rest of social spending. What else would he want to see? Would he like to see Canada drop a few more places, to the bottom of the OECD ranking?

• (1545)

It is very important because even in Canada, people think that they have one of the best social and educational systems in the world. Canada ranks 25 out of 29. Then there is the United States. We say "Oh, we are not like the United States". We are close to Japan, where we all know that there is no such thing as a safety net, close to Turkey, close to Mexico—which is still a developing country—and close to Korea. Can the members appreciate who we are close to?

What has happened is really dramatic. For one of our colleagues to argue that we have brought forward this motion urging the government to transfer tax points—not only to Quebec but to all of the provinces—only to promote sovereignty is shameful.

Going back in history, I would remind the House that the first to negotiate tax points for Quebec were the Liberals in the 1960s, and then the Union Nationale. Although they were federalists, they did not agree with the way the money was being allocated.

Daniel Johnson, of the Union Nationale, was elected after promising to get his hands back on 100% of the corporate income tax, 100% of the personal income tax and 100% of the inheritance tax. Soon after he was elected, he came to Ottawa to try to negotiate. He was told for the first time by a young Trudeau, a former member of the NPD freshly out of university, who had soon realized that, if he wanted to become Prime Minister, he had better run as a Liberal candidate "I also speak for the people of Quebec".

The so-called sovereignist agenda we are supposed to be pushing, according to the government, focuses on change. Jean Charest, a Quebec federalist, is travelling to western Canada to meet with the premiers and ask for tax points.

The problem here is not only Confederation, although it has not been working well for a long time and is increasingly so, now. What is in question is the ability of young people to receive a decent education, the ability of universities to continue to train intellectuals who will be able to receive scholarships from funds created by the federal government. The government creates scholarships, but to be able to receive merit scholarships in research,

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there must be a pyramid. This pyramid must be funded adequately, but it is not, at this time.

Health spending is growing rapidly. Although we are trying to cut everywhere, it continues to grow. We know the population is aging, but this is not all. Medication is more expensive. Surgeries and equipment are also. We know that in Quebec people working in hospitals do so at a lower cost than in the rest of Canada.

Consequently, what is happening in the country, which could compare itself favourably to progressive countries, will now be comparable to Turkey, Korea and the United States, because social spending has fallen. When the government says that taxes must be reduced further, it continues to say that the provinces will not pay for the spending that is essential to a minimum of well-being and to the rights of the citizens.

Mr. Serge Marcil (Beauharnois—Salaberry, Lib.): Mr. Speaker, I would just like to make a comment. We must always pay attention to what we say, particularly when we know that people listen to the debates and also read news originating in the House of Commons. Often we tend to exaggerate the facts.

• (1550)

When the members of the Bloc Québécois say that there has been so many cutbacks to employment insurance, that the government has accumulated a huge surplus to wipe out the deficit, they neglect to point out to the public that this is the same phenomenon as in all provinces. This was a period of heavy recession, and all provinces, the country as well, were heavily in debt. Each government, therefore, accumulated a larger operating deficit with every passing year.

In 1993, the deficit was \$42 billion. According to the Bloc Québécois, the Canadian government should have borrowed still more money in order to pass it on to the provinces. That is more or less the mechanics of it. The more our budgets increase, the more the deficit increases, the more we borrow; the more we borrow, the more interest we pay on the debt. Asking the federal government to transfer tax points to the provinces, money to the provinces, when there is an operating deficit in excess of \$42 billion, is like asking it to borrow money on behalf of Canadians and then give it to the provinces.

So a deficit at one place is increased in order to try to decrease it at another. When things like this are said, care needs to be taken.

The second point is that there is still reference to our ranking 25 out of 29 as far as social spending is concerned. I do not dispute that ranking of 25 out of 29. It refers to social spending, not the quality of services provided in Canada. The quality of services provided to Canadians is not what is involved here. They say Canada ranks 25 out of 29 in terms of social spending.

When spending in Canada is being considered, all social spending by the provinces is added in as well, not just federal spending. It is the total of spending in the country by each provincial government, plus federal spending, that makes up total social spending.

Ms. Francine Lalonde: Mr. Speaker, I am pleased to reply to the member, and I hope he will listen carefully. As they say in English “I will put his record straight”.

He has just mentioned the recession as a reason for EI cuts. As it happens, I was my party's EI critic during this period.

We noted that, although this system had had a deficit of only \$2 billion, and even though the federal government had pulled out of funding and active employment measures, responsibilities which should normally have been assumed by the government, the fund immediately turned around and started paying for itself.

The truth was that the fund more than paid for itself, because benefits were cut and the government continued to collect premiums, knowing full well—and I have been told this by a senior official who is now with the OECD—what the fiscal impact of the cuts would be. I said to him “But you did not know how it would affect people, the regions, the social impact. It does not make sense that you knew and that you went ahead anyway”. So, yes, it knew what the tax impact would be.

What is true is that, for other spending, the government borrowed from the EI fund, which is made up of the contributions of ordinary citizens and SMBs. That is the truth. This is what it borrowed from.

As for social spending, Canada ranks 25 out of 29 OECD countries. This includes provincial spending and that is why I mention this. When the government cuts transfers to the provinces, this has an impact on all social spending, including that of the provinces. I am not interested in hearing that there can be differences like those among all the countries in Europe, which are the world leaders, and that Canada, which is in 25th position, could aspire to the same quality.

When it comes to social spending, we know that quality resides not just in equipment, but in people in all the forms of assistance, and the duration of assistance. Take a look at the duration of unemployment insurance benefits in Europe.

So, I am sorry but, through this policy, Canada has completely and significantly altered the Canadian values he is talking about.

• (1555)

Mr. Mario Laframboise (Argenteuil—Papineau—Mirabel, BQ): Mr. Speaker, I am happy to speak to my colleague's motion.

According to this motion, the government should call a federal-provincial first ministers' conference to discuss the federal government's surpluses and a possible transfer of tax points.

It was practically unbelievable to hear members, such as the Liberal member for Beauharnois—Salaberry, mention in the House that there were deficits and that is why the federal government must no longer transfer tax points to provinces, when we have surpluses coming out of our ears. The federal government has \$19 billion in surpluses.

I am proud of my Bloc Québécois colleague—duly recognized by the member for Markham—who, on this day last year, estimated to within 2% the surpluses forecast by the Minister of Finance. Again, my colleague is announcing that next year the federal surpluses will still be \$19 billion. I tend to believe him more than any other member in the House. He was the only one, and I thank him, to tell all Quebecers and all Canadians about the financial situation of the federal government.

I consider most timely his motion that the government should call a federal-provincial first ministers' conference to discuss the federal surpluses of billions of dollars and a possible transfer of tax points to the provinces, which certainly need them, for a very simple reason. For all those Quebecers who are listening today, I say our quality of life is provided to us by the provinces and their various entities, including the municipalities. Here is what I mean by that.

Health is the main factor that contributes to a person's quality of life, and health services are provided by the provincial government. The same goes for education. We all want our young people to have a good education so they can succeed in life, and education is a provincial responsibility.

There is also public safety; we all want to feel safe. There is water quality, water treatment, household garbage collection and disposal, these are all services provided by municipalities, as well as transportation. These factors that contribute to the quality of life of all Quebecers and Canadians depend on services provided by the provinces and municipalities, their entities.

That quality of life has been severely compromised. Let us all remember the year 1992. That is when the federal government decided to make the most drastic cuts to transfers to provinces in Canadian history. In 1984, these transfers were at 23%; in 1993, they were at about 20%. They were cut by nine percentage points over six years before going back up slightly. Now, about 14% of Quebec spending comes from federal transfers. But let us not forget that when the health system was put in place, the federal government paid 50% of the cost. Now, it is down to just 14%.

It is important that we all remember the year 1992, the year when, perhaps to eliminate the accumulated deficit, the federal

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government decided to make drastic cuts in transfers to provinces. It is only fitting that we should be debating my colleague's motion today, at a time when the government will rake in, year in and year out, a \$19 billion surplus. The Canadian government should convene the premiers to discuss the federal surpluses and to transfer tax points to improve the quality of life of Quebecers and Canadians.

We should never forget that by 2008 health spending will have doubled in Quebec, from \$10 billion today to \$20 billion.

• (1600)

Health and education will take up over 45% of the provincial budget. If that is true in Quebec, it will be the same in all Canadian provinces.

We should understand that since 1992, the federal government has withdrawn some of its support to try to erase its huge accumulated deficit. This withdrawal had a domino effect in the provinces.

Since 1992, they had to make cuts in health, education and transfers to municipalities. I am well aware of this because I was in municipal politics. Until last year, I was president of the Union des municipalités du Québec. Prior to 1992, none or very few of Quebec's municipalities submitted applications to the federal government. They always managed to reach agreement with the government of Quebec.

With the cuts in federal transfers to the provinces since 1992, a crisis has developed in Quebec involving the municipalities and the government of Quebec. In the past few months, without any reason, and even though the municipalities are the creatures of the government of Quebec, we have heard statements made by ministers outside the House and even in the House that consideration should be given to amending the Canadian constitution so that money may be transferred to the municipalities. This is rich.

The federal government is not even capable of transferring the proper amounts to the provincial governments in order to resolve education and health care problems, and it is prepared, for purely political reasons, to transfer funds and consider amending the constitution in order to transfer funds to municipalities to help them settle their problems. Prior to 1992, they had no problem, they could deal with provinces one on one.

Now, because of the cuts to transfers and because provinces have had to put most of the money they could get hold of into health and education, which are major expenses, over 45% of Quebec's budget and, because of the federal government's drastic cuts in transfers to the provinces, they barely manage to maintain the portion the federal government could send them. Some of the small increases

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are nothing more than what they were getting before in federal subsidies to keep up with the cost of spending in each of these sectors. But the federal government still maintains its share of approximately 14% of all spending on health care and education and other public services. The federal government pays only 13.9% of spending on all these services in the provinces.

As far as I know, we pay 50% of our taxes to the federal government. What does it do with our taxes? Simple. It is maintaining an old age security system that has hardly been indexed. The government has not even been able to index the old age security system to the cost of living. But it is keeping an army. In Saint-Jean, Quebec, they closed a military base. In Quebec, we have the army, but they are closing military bases.

With respect to airports, we have discussed in the past, here in the House, the developments at the Mirabel and Dorval airports in Quebec, the transfer of flights from Quebec to Toronto. This is a federal decision. This is what the federal government is doing with Quebecers' money.

I can talk about research and development, because I come from the Outaouais region. There are 50 research and development centres in eastern Ontario. Until last year, we had one on the Quebec side in the Outaouais; the government shut it down. This is what the federal government is doing with Quebecers' money. It has decided to spend money on economic development.

In conclusion, in the transportation area in the last two years, \$10 million out of the whole budget was spent in Quebec. We are talking about road infrastructures, with an annual budget of \$100 million. Only \$10 million was spent in Quebec. Elsewhere in Canada, over 50% of the budget was spent in the maritime provinces to help Liberals win the last election.

These are always political decisions that go against Quebec's interests. I hope that Quebecers will have understood that since 1992 it is Canada, through the most drastic cuts in its history, that has hurt the most the health and education systems of Quebec.

• (1605)

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ): Mr. Speaker, the Liberal member for Beauharnois—Salaberry said that we were in a recession and that this is why the federal government had been forced to rob the provinces and the employment insurance fund.

Could my colleague tell us when the last recession ended? Could he also tell us whether, since then, the surpluses from the employment insurance fund have been used to eliminate the deficit or to increase the surpluses of the Minister of Finance?

Mr. Mario Laframboise: Mr. Speaker, I thank the hon. member for his question. We all know that the last economic recession ended several years ago. We hope that there will not be another one. The last recession ended in 1987. Since then, the surpluses from the employment insurance fund have belonged to the workers of Quebec and Canada.

The EI fund has been an independent fund since 1996. Contributions are made directly by employers and employees. The federal government no longer makes any contribution. This is quite something, considering that out of the \$19 billion in surpluses, my colleague estimates that \$7.5 billion comes from the employment insurance fund.

Under the bill that was recently passed by the House to amend the Employment Insurance Act, the government will directly appropriate the \$7.5 billion that belonged to the workers and employers of Quebec and Canada.

That money allows the government to boast, declare surpluses and profits and unilaterally decide to reduce the debt.

As regards employment insurance, the Bloc Québécois has always held the same position in the House: let workers and employers discuss and decide what they will do with an insurance plan to which they contributed for their own benefit.

Let these people discuss the issue among themselves. As for the rest of the surpluses, let us give a chance to the provincial premiers, as my colleague suggested, to get together and discuss the future of the huge surpluses that my colleague estimated so accurately once again.

Ms. Francine Lalonde (Mercier, BQ): Mr. Speaker, I would like to ask my colleague if he believes that when Jean Charest is campaigning in favour of repatriating tax points to Quebec, it is because he is in favour of sovereignty?

Mr. Mario Laframboise: Mr. Speaker, of course we are not stupid. Tax points have been a longstanding claim in Quebec. I will not reiterate all the statements made by my colleagues in the House. It is an historical issue.

The province of Quebec is asking for tax points for all kinds of historical reasons, and one in particular that Quebecers and people in other provinces will understand. It is because the quality of life is ensured by the provinces. Health care, education, everything we can think about, such as public safety, national safety, water, water treatment, garbage collection, all these services are provided by the provinces and their creatures, the municipalities.

There is a reason why the provinces are asking for their fair share, to assure the quality of life of the citizens of Quebec and

Canada. To answer my colleague's question, there is a reason why, like his predecessors, the leader of the opposition in the Quebec national assembly is also asking the federal government to transfer to the provinces the tax points they deserve in order to meet their ever increasing expenses.

I repeat that in Quebec health care expenses will double by 2008. The same will happen in every other Canadian province. New technologies are extremely expensive. When the system was put in place the federal government paid 50% of the expenses and, today, it only pays 14%. This is the harsh reality of being part of a federal system.

I will answer the member for Markham that I believe he is becoming machiavellian with all the things he is dreaming up against Canadian unity. They are showing daily that Canada is less and less united. It is with reactions like the member for Markham's that people in Canada will understand that trying to bleed the provinces to death is not a solution, because they are the ones who are providing services ensuring the quality of life of their citizens.

• (1610)

[*English*]

Mr. John McKay (Scarborough East, Lib.): Mr. Speaker, I will be splitting my time with the hon. member for Waterloo—Wellington.

This debate is like Yogi Berra saying *déjà vu* all over again. We do seem to be going at this once again. The provincial premiers meet in Saskatchewan and their surrogates coincidentally rise up in the House in order to bash the federal government for not giving them enough money. Some tunes never change.

The problem for the party opposite is that no amount of money will ever be enough. No amount of cash, no amount of tax points and no amount of equalization payments will ever be enough for the sponsors of this motion.

If the premiers had their way, Canada would become a collection of independent principalities and the Prime Minister would be nothing more than a bill collector. He would be in the rather unenviable position of having to phone up a Mike Harris or a Bernard Landry in order to get enough money to cover the expenses for the army. By that time, of course, in their generosity it would probably look like nothing more than a glorified police force.

The facts, however, are somewhat less prosaic. Provincial revenues in the fiscal year 1999-2000 totalled \$181 billion, as opposed to the federal government's share of revenues which was \$161 billion. Provincial revenues for the past 25 years have

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exceeded federal revenues regularly and consistently. Maybe the Prime Minister should have a meeting with himself to see if he can get the revenue flowing the other way.

The provinces do very well in this scheme of loose federalism and have virtually the same access to revenues as the federal government. The major transfers from the federal government to the provinces are through the Canada health and social transfer in the form of tax points and cash.

Generally at this point eyes begin to glaze over because Canadians, and indeed I would suspect many members, do not understand tax points. I have some sympathy in this regard.

The definition of a tax point is room given by the federal government to the provincial governments in the tax system. The federal government reduces its rate by a certain percentage in order to give provincial governments room to increase theirs accordingly. The tax point transfers make no difference to the overall burden on taxpayers. It is in fact a break even situation for all taxpayers. The provinces increase their tax base at the expense of the federal government and presumably in Saskatchewan that is exactly what the premiers are trying to do.

Tax points are one of the means of transferring revenues to the provinces based upon the strength of their provincial economies. If, for instance, Ontario does well, the revenue from tax points will go up and the money will come into the federal treasury from the provincial taxpayer. It does a U-turn and heads directly back to the provincial treasury. The federal government merely acts as a collector of those funds.

Throughout the dark period of federal fiscal difficulties, the tax points remained sacred. There was no reduction and there was no change. Whatever the economy of the province generated, it immediately went back to the provincial treasury. It is a very simple system.

The Bloc is in the unique position of arguing that tax points do not exist, but if they do exist then they want more. The head office in Quebec City has dictated today's motion, which reads:

That, in the opinion of this House, the government should call a federal-provincial first ministers' conference for the purpose of reapportioning the tax base among the federal and provincial governments through the transfer of tax points.

Do we really believe that premiers want to apportion more tax points to the federal government? Really, and I have some swampland in Florida.

Then, very handily, the Bloc manages to answer the motion by setting up Quebec's own commission. It is called the commission on tax disparity. I am grateful to my colleagues opposite who see

Supply

no need for the debate, as they have already prejudged the issue simply by naming this commission the commission on tax disparity. What could be more clear? It is always handy to arrive at one's own conclusion before stating a problem.

• (1615)

In the year 2001-02 the provinces and territories will receive a total of \$34 billion in tax points and cash, \$15.7 billion in points and \$18.3 billion in cash. It is anticipated that there will be a 19% growth in tax points over the next three or four years.

Last September the federal government committed itself to an additional cash transfer of \$21.1 billion over five years. Having worked the federal government over for cash in September, it is now time to work the federal government over for tax points in May and June. Some would argue that the Prime Minister becomes a head waiter for the provinces.

If the federal government does not retain some control over the cash, the provinces would never have any meaningful national health standards and we would be even further down the road to absurd levels of devolution.

The Liberal government's policy of transfers to the provinces is a balanced one. The cash component is large compared to the tax transfer component. This means that not only does our government preserve and enforce national standards but the provinces can rely on stable sources of revenue.

That does not begin to address the equalization program that is now at an all time high at \$10.8 billion of which, by the way, Quebec receives the lion's share. In the province of Ontario the CHST accounts for something in the order of 18% to 20% of provincial revenues. It has remained fairly steady over the years as Mr. Harris has chosen to reduce his revenue sources by his commitment to tax cuts in preference to all other commitments.

Various provincial governments make their own choices about spending versus tax relief and the federal government has little say, some would say thankfully, over those choices. It is now a little hypocritical for the provinces to come along and say that they need more federal moneys because of their own decisions. Having worked the so-called CHST cash cow in September, namely the cash part of the CHST, we are now in May and we are trying to work the tax points part.

The finance minister has repeatedly said that there is no financial space for large initiatives. The federal government debt is still quite enormous even after the \$15 billion paydown this year. The first \$40 billion of all federal revenues immediately goes toward the interest payment on the debt. If we took away another \$34 billion for CHST transfers and cash, and added in another \$11 billion in equalization, we would have precious little money left

over for other programs, such as direct transfers to Canadians on matters like EI and pensions. Spending pressures for research and development, for on reserve aboriginals and for pensions would continue to be enormous in the short and medium terms.

The provinces do very well in this very devolved federal state. Their revenues actually exceed the federal government's and their debts are less than those of the federal government. The government already transfers over \$40 billion to the provinces. I for one say that enough is enough and I urge hon. members to reject the motion.

[*Translation*]

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ): Mr. Speaker, so many outrageous claims have been made that it is hard to know where to begin and what questions to ask.

I have about 25 questions I could ask my colleague, but first I want to make a comment. We are not looking for handouts. When the member says: "The federal government would be transferring tax points at its own expense", he has to understand that the federal government does not exist for its own purposes.

Will the members opposite finally understand that the federal government does not exist for its own purposes; it is there to stand up for the people who have elected it and who have agreed to have it speak on their behalf in this House.

Will the government realize that there are people in Quebec and in Canada who need health, education or income support services, but that these services are provided by the provinces under the constitution itself?

Will it recognize that in the next four years, even with all the various federal programs mentioned earlier, like the pensions and also equalization, the federal government will still have accumulated surpluses of \$70 billion to \$90 billion?

• (1620)

If the government thinks that there are no problems, it is the one with a problem. There is a major imbalance. The provinces have huge responsibilities, particularly in the area of health. My colleague was saying a little earlier that in eight years health care needs in Quebec will have doubled and the situation is the same in other provinces. We do not have the resources to face that. The resources are here.

If the government does not understand that the federation does not work that way, with a superior government, with members who consider themselves superior to others, above everything, above provinces and above the needs of the population, I think it is mistaken. Will it understand my point?

All we are asking by this motion is a conference between the provincial premiers and the Prime Minister of Canada in order to see what the situation is and where we are heading. The Minister of Finance has acted in such a hypocritical way in the last seven years that we have never seen in what state the public finances really are. Every year it is a surprise. There are incredible surpluses and everything is going toward the debt.

We are all for reducing the debt, but there is quite a difference between allocating to the debt part of the surplus and all of it when the needs of the population are so important.

[English]

Mr. John McKay: Mr. Speaker, my hon. colleague opposite seems to want to have it both ways. He wants money to be transferred to provincial revenues and simultaneously he acknowledges that there is an enormous debt which needs to be dealt with.

He ignores quite nicely the earlier part of my speech in which I said that provincial revenues far exceed federal revenues by something in the order of at least \$25 billion. He ignores the fact that the provinces have virtually the same access to revenue sources as does the federal government. He also ignores the fact that the equalization program is one of the few programs that did not get cut. His province is the major beneficiary of that program to the detriment, I would argue, in some respects of other parts of the country. It is probably the equalization moneys which have grown the most in the past number of years.

We can ignore all of these sorts of things. We can live in this fantasy world where we want it both ways, but I say to my hon. colleague opposite that we cannot have it both ways. We do have a nation. The nation has needs from coast to coast to coast. We on this side of the House will address those needs in a fair and balanced fashion.

[Translation]

Mr. Marcel Gagnon (Champlain, BQ): Mr. Speaker, I would like to make a comment. I am outraged when I hear what government members are saying. They make it sound like the collection of revenues is a race between the federal government and the provinces. The member says that since the provinces have more revenues than the federal government, the federal government should not give anything back to them.

Wait just a minute. Provinces have more revenues but their responsibilities are greater. They are the ones with responsibilities, not the federal government.

Did the hon. member compare the provinces' responsibilities with those of the federal government?

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[English]

Mr. John McKay: Mr. Speaker, in some respects I do not disagree with the hon. gentleman opposite, but he should be aware of the fact that provincial revenues last year were \$181 billion and federal revenues were \$166 billion.

We transferred \$34 billion to the provinces. We transferred a further \$11 billion to the provinces to address their legitimate and real needs and areas of responsibility. I think in some respects that is balanced. I welcome the member to federalism.

Mr. Lynn Myers (Parliamentary Secretary to Solicitor General of Canada, Lib.): Mr. Speaker, I enjoyed the debate that has just taken place, especially when the member for Saint-Hyacinthe—Bagot argued that the federal government speaks for itself. In fact the federal government speaks for all Canadians.

• (1625)

That is the point those sovereignists cannot quite get through their heads. The member for Champlain mentioned a race and jurisdictions, but what he neglected to understand and to realize is that we have jurisdiction under the British North America Act and under Confederation for certain areas of responsibilities as do the provinces. We have had a long and glorious history of being able to work that out through co-operation and flexibility and the good, sound judgment that has been used over the course of years.

Be it tax points or outright cash when it comes to provincial moneys and resources, the federal government is part and parcel of how the federation works and underscores the commitment of the Liberal government to make the federation work in a very meaningful and sound way.

The member for Saint-Hyacinthe—Bagot talked about the finance minister being hypocritical and how he was stealing from the EI fund. Unparliamentary or not, both those statements are absolutely wrong. On the contrary, we have seen the present finance minister making adjustments by getting rid of the deficit, paying down the debt and giving balanced tax breaks and money back for important reinvestment initiatives.

That underscores the commitment of the government to all provinces and territories in this great country of ours. It behoves us to think about these things from time to time to bring us back to clear thinking and balance because that is what the government has been able to do since 1993.

The motion before us is of some interest, but it is of more interest to the sovereignists in Quebec City. It is no secret that Pauline Marois, the finance minister and Premier Landry have

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made it a habit in recent months to come hammering once again at the door of the federal government. All I see are the sovereignists opposite, the Bloc in this case, being kind of head waiters for them, simply bringing their plea to Ottawa and almost acting, unfortunately, as a branch plant of Quebec City for the separatists and the sovereignists.

That aside, there are some genuinely important issues that we need to clear up in the debate. For example, we should note that this has a long history since 1977 when the first tax point transfer was implemented. There was a new agreement at that time called established programs financing, EPF. It helped with education and health in those days. At that time \$13.5 billion of personal income tax points were given over to the provinces as well as \$1 billion in corporate tax points. We can see the beginnings of the federal government assisting in this tax point area along with cash as well which people always want and provinces especially.

The thing that I find unacceptable is the fact that the sovereignists, the Bloc and some of the provinces seem to think that tax points are not equal to cash, are somehow not as good as cash, or somehow do not provide the cash required. In reality tax points are equal to, as good as and similar in that sense to cash. In German one would say *macht nichts aus*. It is the same thing. It is half a dozen of one, six of the other.

We keep giving tax points and cash, but why do we do it? We do it because we are in a fiscally sound federation. We understand there are needs that the provinces and territories require, especially in their areas of jurisdiction. The two that obviously come to mind very quickly are health and education. That is why for example in 1996-97 we established the Canada health and social transfers. That is part of the kind of effort the government is prepared to make to ensure that we do the right thing when it comes to our great federation.

● (1630)

I point out that all tax points are resources that flow to the provinces. No matter which way we want to cut it, dice it or slice it, the fact remains those are resources to the provinces. I want to point out too that under the CHST in recent years, the ceiling was established at \$11 billion in 1996. It went up to \$12.5 billion in 1998, and in 1999 an additional \$11.5 billion over five years was added. The CHST cash portion in the year 2000 was \$15.7 billion. By the year 2005-06, that will represent \$21 billion, which in straight mathematical terms, is a 35% increase.

That represents a government commitment to ensure that money, when we are in a surplus situation, be it tax points or cash, is transferred in a meaningful way to the provincial and territorial partners. We do that to ensure that the federation works in a way

that Canadians, wherever they live in this great country, think is appropriate and right and enjoy the fruits of the surplus situation.

The tax transfers provide provinces with additional revenue which increases as a result of economic growth. Those tax transfers have increased sixfold since 1977-78. That is an enormous increase and represents the growing flexibility and ability of the provinces to make sure the transfers are used in their jurisdictions in a way that makes the most sense for them.

By using a mathematical formula, it is projected to the year 2005-06, that the tax transfers will rise to \$18.9 billion, which represents a 19% increase over that period of time.

I reiterate that this is great news for the provinces and territories in terms of what we are doing by way of federal transfers, either points or cash. It underscores the commitment of our government to ensure that things go along in a manner consistent with Canadian values.

To recap, it is very important to note that in the year 2001-02, which we are in now, \$34 billion will be transferred under the CHST. That represents \$15.7 billion under tax transfers and another \$18.3 billion in cash, for a total of \$34 billion. No matter which way we look at it, and Canadians understand, this is a lot of money that our federal government is prepared to give to the provinces so they can put in place the kinds of resources that the people in those provincial and territories want, need and demand.

It is our government commitment to ensure that kind of balanced approach. Balance, after all, is the key, not twisting it out of joint in one way or the other. Rather balance it out to have the flexibility inherent in good programming and sound fiscal judgment so the Prime Minister, the Minister of Finance and whole caucus on the Liberal side are able to deliver repeatedly in these all important areas.

I simply have to shake my head when I look at the motion. Of course it is Bloc members trying to play games. They are taking their marching orders as usual from Monsieur Landry and others who are intent on destroying this great country of ours. However, they neglect to remember that the country represents solid good governance and a good economy that has been good for all people no matter where they live. It has provided employment, good salaries and good jobs for people. At the end of the day individuals, families, communities and whole provinces and territories have benefited as a result.

We should rejoice in that because it is the very essence of what our government is able to deliver. That is the very essence of who we are as Canadians, underscoring our values and judgments to make sure that Canadians wherever they live benefit as a result of our good, solid judgment.

[Translation]

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ): Mr. Speaker, we have heard many inaccuracies in what the hon. member opposite and his colleagues have said since this morning.

First, in terms of tax points transferred during the 1960s and late 1970s, the principle is the following.

• (1635)

The federal government, mainly during the second world war, had asked the provinces to give up their jurisdiction over personal income tax. The provinces, including Quebec, agreed as their contribution to the war effort.

Under the constitution, which our colleague opposite says he respects, the federal government should never have had this jurisdiction. The federal government stole it from the provinces, because it refused to give it back to them after the war.

As a matter of fact, it was during the 1964 constitutional conference in Quebec City, between Mr. Pearson and Mr. Lesage, and the 1977 conference, which was held with all provinces, that the federal government decided to give back a part of what it had stolen from provinces, as their contribution to the war effort, in the area of personal income tax, inheritance tax and corporate tax. These areas were not under federal jurisdiction.

The hon. member says that constitutional jurisdictions must be respected, but how does he explain, apart from that, another undeniable fact? During the last four years, namely since the federal government has been raking in huge surpluses with other people's money, it has exponentially multiplied its encroachments on jurisdictions that are exclusively provincial, like education, health, early childhood and the family.

Why is it that this member, a federal member, a government member, cannot understand the facts? He has just talked about principles that go against the practice of the past four years. The transfer of tax points during the 1960s and the 1970s was done as a matter of justice for the provinces, which had generously accepted to lend a jurisdiction which was exclusively theirs under the constitution. Will the hon. member, a superior member of a supposedly superior Canada, understand that?

[English]

Mr. Lynn Myers: Mr. Speaker, we can get into a great history lesson. We can go back to Sir Robert Borden in 1917 and talk about the temporary income tax. We can talk about Lester Pearson and Jean Lesage until we are blue in the face, but the reality remains, despite the member opposite not seeing it nor would he ever want to, the government does not step in on other jurisdictions.

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The government has a solid, sound record of respecting other jurisdictions; Quebec, Ontario, Alberta, British Columbia, I can name any and we respect them. We make sure the divisions of power are inherent, unlike the Bloc members opposite who want to rip apart the federation. They want to destroy the jurisdiction. They want to keep chipping away every time and every way they can to bring Canada down yet another notch.

There are those on this side and most Canadians, including Quebecers, who will have no part of that. They want to get with other things such as providing food, shelter and clothing for their children. They want to get with the business of carving out good lives for themselves, whether they live in Baie-Comeau, St. John's, Newfoundland or Victoria.

Canadians wherever they live respect the integrity of the government's ability to put us on a sound fiscal good judgment basis, and as a result provide good government and in the process give the tax points and cash transfers required for the provinces to carry out their jurisdictional responsibilities in areas like the environment, health and education.

With all due respect to everyone involved, the beauty of this great federation is our ability to manage, be flexible and do the kinds of things Canadians want, wherever they live in this great country, a country that others in the world respect and say is second to none. That is what we do on a constant basis. Why do we do it? We do it for our families, our neighbours, our communities and our country. At the end of the day that is precisely what Canadians want.

We can go off on tangents all we want in terms of too much power here or too much power there. The reality is, the federation has proven itself time and time again to work and work effectively. Is it perfect? No one ever said it was. Is it right all the time? No one ever argued it was. The reality is, this is a federation second to none in the world, worth celebrating, worth boasting about and worth defending. This side of the House will do it every time.

• (1640)

Mr. James Moore (Port Moody—Coquitlam—Port Coquitlam, Canadian Alliance): Mr. Speaker, the hon. member from Waterloo—Wellington repeatedly said the government routinely showed sound, fiscal, good judgement.

In my constituency there are over 10,000 people, almost 10% of my constituents, who are living in leaking and rotting homes. The Barrett commission travelled around the province for months and recommended that the federal government not tax and profit off of people losing their homes.

Is it good, sound, fiscal judgment and compassion for the federal government, the squishy Liberals who this member likes to represent, to be profiting from the misery of people and the destruction of their homes?

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Mr. Lynn Myers: Mr. Speaker, the issue that is noted by the member is a very tricky and delicate issue. We on this side of the House are looking at ways to assist in this very problematic area. We understand.

I want to go back to the issue of tax points and tax credits. The member's party opposite would give up the store. If we read its election platform, that party would give it all away to the provinces. It would have Canada reduced to a shell. Those members want provincial jurisdiction in everything, and that is unfortunate. Canadians have and will continue to reject that.

[*Translation*]

Mr. Marcel Gagnon (Champlain, BQ): Mr. Speaker, I would like to briefly congratulate the member for Saint-Hyacinthe—Bagot for raising such an interesting and important topic.

The future—we are talking mainly about the present—of this federation, which the members opposite think handles finances so well, is shaky. The money collected by the federal government must be redistributed to the provinces, which are responsible for health, education and municipalities. These are responsibilities of the provinces and of Quebec.

But the federal government keeps on building up its surplus and distributing the money to the rich rather than giving it back to the provinces. I say that it is distributing it to the rich because, when it uses the surplus to pay down the debt too quickly, this is not money that goes to the poor, but money that goes to the rich. When the surplus is used to lower taxes, as was done last fall, this is money that has been taken away from the least well off, taxpayers, and redistributed to the richest members of society.

Last year, following the mini budget, which became the main budget, I had my accountant do two calculations for me. I wanted to know what two 35 year old men, one earning \$33,000 a year and one earning \$100,000 a year, would save in taxes as a result of the new budget. The man earning \$33,000 a year saved approximately \$300 annually in taxes. The one earning \$100,000 a year, or three times more, saved seven times more in taxes, around \$2,000.

If that is a fair distribution of money in a society that claims to look out for the poor, that says it wants to help low wage earners, some questions are in order. When members opposite say that they are right to take pride in how they are running this country, I have my concerns.

When the federal government takes \$36 billion out of the EI fund and gives people to understand that the money belongs to it, we should be worried.

• (1645)

The employment insurance fund is paid into by workers, and also in part by employers. I have been an employer. What do employers do when setting salaries, when looking at the payroll a company can pay out? They take salaries plus benefits, plus the employer's portion of payments.

In the long run, employment insurance is entirely paid by the workers, because if there were no employment insurance, they would be paid a little more.

When I hear justifications like the one provided earlier in response to the hon. member for Saint-Hyacinthe—Bagot, whereby talking about grab in reference to the employment insurance fund is misleading the public, I disagree. In my opinion, that is a precise and accurate description of what the government has done.

The money paid into it by the low wage earners has been used to build up a surplus. Year after year, this continues to be done, at the rate of some \$6 billion yearly.

A worker who has trouble making ends meet sees part of his pay taken regularly to be added to the federal government's surplus and distributed later to those least in need of it.

The motion being discussed today is one that relates to respect and honesty. As long as Quebec is part of this system, it is normal for part of the taxes we pay to the federal government to come back to us to help us—Quebec and the other provinces too, it is true—to deliver the services provided by the government of Quebec and the governments of the other provinces.

Education is a provincial area of jurisdiction. Health is a provincial area of jurisdiction. The municipalities are a provincial jurisdiction. So now we see the federal government giving some money back. They are congratulating themselves because, within a few days of the last election, an agreement was reached in the health field.

But what was the cost of this negotiation? How much did it cost in terms of time and energy? What progress has been made?

Did we get what the federal government was supposed to be giving us in the area of health care? No. We have figures that show that the federal government is now paying about 14 cents for each dollar spent in the health care area.

As far as I am concerned, this is a debate that should not even be taking place. People say that the federation is working properly. The member for Saint-Hyacinthe—Bagot has just said that, in the beginning, in the federal system, the tax points belonged to the provinces. If we have made our contribution to the war effort, and if all the provinces have done so, the tax points should be given back.

This has not been done so that, every year, regularly, people would have to come here to get what is owed to them, and to get it the way the federal government agrees to give it to them.

I will give an example. In the area of education, the government decided to set up the millennium scholarship fund. This is unbelievable. Roughly \$2 billion has been put into this fund, in an area that is not under federal jurisdiction but rather under provincial jurisdiction. Moreover, the government has asked unelected people to manage the fund and it found a way, ignoring provincial responsibilities, to give out scholarships, when we had very good scholarship programs in Quebec. It could simply have given the money to the Quebec government, which is responsible for education.

But no, it found a way to ignore provincial responsibilities. It found a way to play petty politics. It found a way to interfere in areas under provincial jurisdiction, to play petty politics with money that belongs to the provinces. It is even going one step further in Quebec, right now.

• (1650)

It has money to give out, but only in exchange for flags. Our money must be used to promote Canada. This is an absurd situation, and it is the same everywhere.

We recently had a debate on the subject. We saw that getting money from the federal government is tied to distributing flags. Personally—

An hon. member: It comes from Canada.

Mr. Marcel Gagnon: Mr. Speaker, if madam wishes to speak, she may do so when I am done, but I would like to conclude my remarks. I have things to say.

The hon. member will know that, if I came back to politics, it was to say what I just said as often as possible. In the end, I think that we will convince people that it is in Quebec that such problems will be resolved.

Some hon. members: Oh, oh.

The Deputy Speaker: Order, please. I hesitate to interrupt the hon. member, but it is not for a commercial.

It is my duty, pursuant to Standing Order 38, to inform the House that the question to be raised tonight at the time of adjournment is as follows: the hon. member for Esquimalt—Juan de Fuca, Health.

Mr. Marcel Gagnon: Mr. Speaker, thank you for giving me the floor again, but not for interrupting me. Once one has begun to speak, it would be nice to be able to go on uninterrupted.

I was speaking about provincial jurisdictions. To exercise their responsibilities, the provinces need money, particularly the money which we send to the federal government and which should come

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back to us. If there were any semblance of political decency here, we would not need a motion such as this one. This reapportionment should be done as a matter of fact. When there are surpluses at the federal level, they should go back to the provinces.

One member opposite said that the federal government is assuming its responsibilities. Let me tell him something. As far as the environment goes, things are not pretty in Quebec, because the federal government just does not assume its responsibilities. Right now, we are trying to have clean up Lac Saint-Pierre, which has been polluted by Canadian army shells. This is under federal jurisdiction. We have been asking for this clean-up for years, but to no avail.

We want to solve the problem along the shores of the St. Lawrence, which are being eroded. Land is being lost to erosion because of transportation. This is under federal jurisdiction, but nothing is being done.

The groundwater in Shannon, in La Baie and in Sept-Îles has been polluted. That is also under federal jurisdiction, but it will have to wait. The federal government likes to order studies, but it does not implement the recommendations. It says the problems have been taken care of because it has decided to distribute bottled water, and we should just forget about groundwater.

One of the federal government's responsibilities is to give back the money to the provinces for education, for health and for municipalities. We must stop having to beg on our knees, having to distribute flags to receive a part of the money that is rightfully ours.

I say to Quebecers that, with respect to the \$33 billion in taxes that we pay to the federal government, I hope this problem will be solved as quickly as possible. In the meantime, out of this \$33 billion federal surplus, some money must be given back to us.

• (1655)

I think that today's debate, which is aimed at getting together the 10 provincial premiers and the federal Prime Minister to discuss tax points once again, is extremely important.

As for justice and honesty, an hon. member, who is a knowledgeable economist, said earlier that the Bloc Québécois' discussion about this motion will diminish the value of the federal government for the provinces. If the importance of the federal government is diminished, it is not because of a motion such as this one, it is because of the government's behaviour. If Quebecers find more and more that Quebec has less and less space and that its future is increasingly doomed here in Ottawa, it is not because of the discussion that we are proposing today. Rather, it is because of the way the federal government has worked and continues to work.

Let us not forget that when we began talking about sovereignty for Quebec, about 20% of Quebecers were considering that option.

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We never lost any ground. At the last referendum, 49.4% of Quebecers voted in favour of sovereignty. Had it not been for the money spent in violation of Quebec's laws to bring people to Montreal to tell us how much they loved us, support for sovereignty would have exceeded 50%.

Quebec never wavered in its desire to stop begging, as we are doing, for the money that is owed to us. Quebec knows that someday, and that day is closer than some might think, we will exceed 50% and we will settle our issues among ourselves, because this is how it should be done in the future.

It is not the motion presented by the Bloc Quebecois today that makes me say this. It is a logical conclusion, it is the way to go for a people that will then fulfil its dream.

In the meantime, it would in the best interests of the federal government to discuss today's motion, to call a federal-provincial first ministers' conference and to look at the possibility of reappportioning tax points.

It is not only the nasty PQ and BQ members who are asking that, but also the leader of the opposition in Quebec. All the Quebec governments, regardless of their allegiance, have always asked to recover these tax points so as to not be forced to beg and kowtow to get money for health, education, municipalities and everything that comes under Quebec's jurisdiction.

Hon. Diane Marleau (Sudbury, Lib.): Mr. Speaker, what blackmail. It is really something to hear that.

I think the Bloc Quebecois is the one involved in petty politics. I have sat in this House for a long time. I recall the time we had large deficits. While we had them the Bloc members, the sovereignists, said "We have to leave this country because it is not working. You can see it is not working".

Today we have surpluses. Things are very different. The surplus belongs to them. What blackmail. We should not repay our debt, we should send all the money to Quebec.

I am sorry, but I have always thought that when we repaid our debt we would avoid a lot of interest over the long term. We will have a lot more manoeuvring room than what we had before if we can pay the debt. Let us not forget there are tax points and cash transfers. We are maintaining a balance.

• (1700)

The tax points do not have the same value in each province. A balance must be struck. It is also important to be able to defend the things Canadians hold dear, such as the Canada Health Act.

We will continue to work with the provinces, despite the Bloc Quebecois' blackmail. It is always the same thing. When it is a matter of tax points, it is very important. However, when it

suddenly is a matter of transfers to the provinces, they forget the tax points. Cash is the only subject of discussion. They say, "we have enough". They play little games. It is not playing these little games.

If we sit down together and work, we can do extraordinary things. We did it when we balanced the budgets. We have done this with all Canadians, not just some of them. This is very important for me.

I want to know why they absolutely do not want the government to pay the debt. Do they think we will get ahead of ourselves? I think they are here for one thing alone, and that is to break up this country. It is not perfect, but it works pretty well.

Mr. Marcel Gagnon: Mr. Speaker, first, the hon. member must know a lot about blackmail, because the federal government she is a member of is certainly very apt in this area. It is blackmailing the people of Quebec with the way it is allocating the money and the conditions it sets.

Where the debt is concerned, nobody said that we should not pay it off. We said that we need to seek some balance. We maintain that the \$33 billion the government took from the EI account should not be used to pay off the debt. That money was paid by the workers, by only one segment of society, and not by society at large.

We argue that the money the government is taking from the poor should not all be spent to pay off the debt, because the debt was not incurred by the poorest of the poor. We need some balance.

The tax points we are asking for are only what the government has taken away from the provinces. We only get 14 cents per dollar for health when a few years back we were getting 50 cents per dollar. With less and less money, provinces have to find a way to maintain the health system, while the federal government uses the money to pay off the debt. It is unfair. We want balance. The debt has to be paid off, but let us not forget that there is only one taxpayer.

Mr. Clifford Lincoln (Lac-Saint-Louis, Lib.): Mr. Speaker, I must say that is a speech I have been hearing ever since I was elected in 1981 to the Quebec national assembly, of which my hon. colleague was also a member.

It is as if the same record were played over and over. All the faults in the world lie with the federal government: it is monopolistic, it grabs all the tax points, it keeps all the money in Ottawa, it sends nothing to the provinces et cetera. I have heard that so many times that a time comes when it feels like backsliding. It goes on and on.

I want to ask the member a question. The federal government is grabbing, it is centralizing, it keeps all the money here and it gives

no power to the provinces. What strikes me, as a Quebec citizen, is that the current Quebec government, which is responsible for municipalities, has passed the tax bill on to municipalities a few years ago, without any consultation. It has fobbed that off to municipalities which had to cope with it. There were signs in every municipality saying: "We do not want to take on your debts". Then it passed the debt on to the municipalities.

Today, that same government is merging municipalities without any consultation. It has imposed legislation across the board. Today, in hospitals under its control, in all the hospital centres, the legislation has been changed so that members of the boards of trustees will no longer be elected because they say that people do not bother to vote.

• (1705)

The government of Quebec will be appointing the board members. This is the irony of it all. For example, the members of the board of the Jewish hospital will be appointed by Quebec.

This is what provincial decentralization is all about. It is the model—

Some hon. members: Oh, oh.

The Deputy Speaker: Order, please. I understand there is a debate, but I would hope that when one member is speaking, the others will listen. Their turn will come. When two or three hon. members are talking at the same time, it is very hard for me to hear and even harder to understand.

Mr. Clifford Lincoln: Mr. Speaker, I was asking my colleague, for whom I have much respect—we were together in the national assembly—if that was the model he wanted, the most centralized model of all.

We are talking about federal centralization here, about the most decentralized state in the world, including Switzerland. Is it the Quebec model that we want, a model that centralizes municipalities, that centralizes hospital boards since it will now appoint its members? Before long, everything will be centralized in Quebec and everything will be conducted by the government of Quebec.

I prefer this federal model where everything is decentralized and where we can at least discuss the issue and hon. members can have their say—

The Deputy Speaker: The hon. member for Champlain has the floor.

Mr. Marcel Gagnon: Mr. Speaker, the member for Lac-Saint-Louis brings back good memories. Indeed, we had this type of debate in the national assembly.

Supply

If he thinks that I have not changed my tune, I will tell him that federalism has not changed either. The problems are still the same. I was talking about how the idea of sovereignty was gaining ground in Quebec; in 1970, we were at 20%.

When the member was in the national assembly with me, there was a referendum and we got about 39%. In the last referendum, we almost won. Why? Because federalism has not evolved.

I remember that a great prime minister supposedly once said, "We are putting our head on the block to announce that changes will be made to the federal system if you vote no". We saw the kind of changes we got. It was a step back for Quebec. Do not worry, there is progress toward Quebec sovereignty.

With regard to the Quebec government, personally I am proud of what it can do, considering the fact that the federal government has constantly reduced the funding Quebec needed for hospitals, municipalities, health care and education.

Mr. Dennis Mills (Toronto—Danforth, Lib.): Mr. Speaker, I appreciate the opportunity to take part in this debate with my Bloc Quebecois colleagues.

Each time there is a debate with the Bloc Quebecois, I find myself in a difficult position. I certainly like the spirit and the passion of Bloc Quebecois members, but I have great difficulty accepting their ideas. I am a partisan of centralization and government intervention.

[*English*]

On this issue today I could not be further away from where the Bloc Quebecois stands. I come from a city, downtown Toronto, that every year sends \$38 billion to the treasury of Canada. There is not a day that passes when I do not have municipal councillors and provincial members of parliament phoning me, sending letters or calling my office to say they are not getting their fair share in Toronto. They say Ontario is not getting its fair share from the national government. Just the greater Toronto area alone last year received \$38 billion. This is a tremendous sum of money.

• (1710)

I say to my friends in the Bloc that I came to this place because I believe that this Chamber is to take all the money that comes from the communities that are doing well, from Toronto, Vancouver or Alberta, and distribute that money in a fair and equal manner. We are here to do that so that we can build a nation.

I believe that it is incumbent upon all of us in the Chamber to be like the Speaker was at one time, a referee. We are the referees of that tremendous sum of money that comes to us. We are here to make sure that if there are special circumstances, and I do not care which province it is, where there are difficulties, when remote regions need extra support, whether it is for infrastructure or for

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certain unforeseen situations, we are here to use the treasury of Canada to treat every region of the country in a fair way.

[*Translation*]

For me, the notion of further decentralizing the Chamber is just out of the question. In fact I would say with respect to many of my own colleagues in the executive of the government, that they have gone way too far in decentralizing the national government. I think that at times we have gone further to the right than the previous prime minister.

If there was ever a moment in time when we needed to rethink the fiscal framework of the country and the distribution of funds to the provinces, it is this moment. It should not be evolving more. It should be reclaiming some of that responsibility. It should be bringing it back so that we are in a position to reach out to those people in our communities who are most disadvantaged.

I have to say to the members opposite and to the esteemed finance critic of the Bloc Québécois that in our province right now we have a provincial premier who is very solid in his position. We have a very difficult position with affordable housing. We cannot get our federal-provincial relationship going in trying to get affordable housing.

All of us in the House announced on March 5 that \$500 million was to go to the farmers of the country. As of this moment that money has not been distributed because the federal-provincial agreements have not been worked on and have not been signed.

We as national members of parliament should have a mechanism to use when the provinces are not co-operating with us in the national interest, especially where low income Canadians are not being served. I think we should intervene, we should go direct, in order to solve those problems. It is for that reason that I do not think we should devolve any more dollars or tax points other than what is the basic amount now.

I also want to bring up a very important case for the leader of the Bloc Québécois and its finance critic. The hon. member has a situation right now that exists in his province just outside of Montreal on the Kahnawake reserve. It is the Mohawk Internet technology park. The situation there is that our first nations people are trying desperately to become part of the mainstream economy. They have hired expert advice and are attempting to become part of the main economy of Montreal, Quebec. Their own province is walking away from support.

• (1715)

The Deputy Speaker: Order, please. I am sorry to interrupt the hon. member but it being 5.15 p.m., pursuant to order made earlier today, all questions necessary to dispose of the business of supply are deemed put and a recorded division deemed requested and deferred until Monday, June 4 at the expiry of the time provided for government orders.

MESSAGE FROM THE SENATE

The Deputy Speaker: I have the honour to inform the House that a message has been received from the Senate informing this House that the Senate has passed certain bills.

[*English*]

Mr. Ted White: Mr. Speaker, I rise on a point of order. I would move that we see the clock as being 5.30 p.m.

The Deputy Speaker: Is that agreed?

Some hon. members: Agreed.

The Deputy Speaker: It being 5.30 p.m. the House will now proceed to the consideration of private members' business as listed on today's order paper.

PRIVATE MEMBERS' BUSINESS

[*English*]

COMPUTER HACKERS

The House resumed from April 6 consideration of the motion.

Mr. Ted White (North Vancouver, Canadian Alliance): Mr. Speaker, I would like to clarify that one of my colleagues had seven minutes remaining in his time but I will not be using that seven minutes. This will be the start of a new segment.

The Deputy Speaker: I wonder if the House might see fit to extend its co-operation to the Chair. The member for Calgary Northeast had time remaining on his intervention the first time this motion was debated. However I have already given the floor to the member for North Vancouver. If the House sees fit, I will allow the hon. member for North Vancouver to conclude his remarks and we would then come back to the member for Calgary Northeast.

Some hon. members: Agreed.

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Mr. Ted White: Mr. Speaker, I am glad that was resolved in an amicable manner.

I should read the motion again so that anybody who has forgotten exactly what we are discussing here today in terms of the motion will have their minds refreshed. The motion reads:

That, in the opinion of this House, the government should immediately amend the Criminal Code to create a separate category of offences and punishments for computer hackers and persons who wilfully or maliciously export computer viruses, both of whose activities disrupt the normal conduct of electronic business in Canada.

• (1720)

I decided I would join this debate because of an interesting first hour that was concluded a couple of weeks ago. I noticed during that debate that the government side at first did not put up any speakers. It put up a couple of speakers right at the end and more or less said the whole thing was silly because there were already areas of the criminal code that dealt with the issue. Those speakers quoted areas of the criminal code that were introduced in 1985.

The first thing that struck me was that governments have never been known for their forward looking legislation. How could it be that way back in 1985, when a lot of people did not even know what a computer was, the government had such a far seeing attitude to legislation that they incorporated something in the criminal code to take care of computer viruses that would not appear until the year 2000?

I took a closer look at this and am not quite sure what the government's motives are. The way the government is approaching the motion is to say there is no need for it because it can be covered by the area of the criminal code that deals with mischief.

What sort of deterrent is it to hackers and people who propagate viruses on the Internet that they might be prosecuted for mischief? Even if the penalty, a maximum of 10 years, is reasonable it does not carry any feeling of deterrence when it is called mischief. It is mischief to call it mischief.

These are very serious crimes. The fact that the private members' business committee, which determines whether or not a motion will be votable, determined that this motion will be votable indicates to me that the committee considers this a very serious topic. The government members present, who dominate that committee, obviously felt there was nothing in the criminal code that dealt with the issue in enough detail that it should be dismissed.

We then have the evidence that the member who proposed the motion gave in his speech. He said that police are frustrated because they too feel that the present provisions of the criminal code do not deal with the issue. They are faced with charging people with mischief instead of charging people with something that has a much more serious connotation.

I would request that the government take a closer look at the position it is taking on the issue and at its motives. What are its motives for not wanting to include something a little more specific that would act as a deterrent, that could be used by the police if they were talking to somebody suspected of being involved in this sort of crime? Instead of simply calling it mischief, police should be able to tell such people that section such and such of the criminal code deals with what they are doing and that they are putting themselves into a position where they could be subject to prosecution.

All of us who have become used to working on computers over the last few years would have had some sort of experience with hacking or computer viruses. I have had experience with both. I have a computerized database set up between my riding and the Hill. I do not use Microsoft Access which is the most common system here. I use a program called Maximizer which co-ordinates the databases among my riding, my laptop computer and Ottawa.

If I am on a flight from Vancouver to Ottawa I type up my next report for the *North Shore News*, a local newspaper. When I get to Ottawa I simply go to a telephone line and, using dial-up networking, update my main office in Vancouver with whatever I have done. That office is called the Superpeer. It updates Ottawa.

These activities go on all through the day. It happens automatically every night, but through the day we can force these updates. At any time I have three complete databases which contain all the information about all the contacts we have had with constituents over the years, every letter we have ever written, every fax we have ever sent and every e-mail we have ever sent. It is all in these three different places.

Because part of that is done through dial-up networking, some hacker trying to find phone lines with computers on the end of them found one of my computers in Vancouver and tried to hack into our system.

• (1725)

Luckily we had a pretty good firewall set up so no problem was caused. However the opportunity exists for someone to do it. Our records from the computer indicate that somebody dialled in a number of times and spent up to two hours trying to break into our system.

That is serious. It was not just a passing, spur of the moment thing that someone did. It was a concerted effort to break in perhaps without even knowing what computer it was. Presumably they knew it was a federal government computer because the telephone number in Vancouver started with 666. Incidentally many people say that number is appropriate for the federal government in that 666 is the sign of the devil or the sign of the

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beast. They must have known it was a federal government computer.

That was one experience. Luckily it did not turn out too badly. However I had another experience. I brought my laptop to the Hill and connected to the network one day last year before the last election. Somehow a virus had got into the Library of Parliament system and it got on to my computer.

At that stage I did not have an updated InocuLAN. We all have InocuLAN virus detection on our systems, but I did not have the updated version. The virus ran amok on my computer. It took about three days to get it rectified. It was very serious. Thank goodness I had the other two databases in Ottawa and North Vancouver so that we were able to erase what was on my computer and start again.

These are serious problems. They are not just mischief. They are not something that can be covered by the section of the criminal code that the government spouts, something that was passed back in 1985, a catch-all phrase to catch little bits and pieces that might be a problem.

We need a deterrent, something that can be publicized in the media saying that parliament has passed a law respecting a certain section of the criminal code so that anyone launching a virus or attempting to hack into a computer is subject to a penalty and a fine. To do something more substantial like that is a much better idea.

On balance we should support the motion. It was made votable for a good reason. It is tough to get motions and private members' bills made votable. The member achieved it in this case. We should support what he is proposing and try to get an extra line or two into the criminal code.

In closing, I say again that I do not understand the government's motives. How hard can it be to pop something into one of the omnibus bills it has coming through here? It could add an extra line to the criminal code. It does it all the time, so what is the problem? I hope government members will rise today and tell us exactly why they have a problem in this regard. If they cannot come up with a good reason they should be voting for Motion No. 80.

Mr. Art Hanger (Calgary Northeast, Canadian Alliance): Mr. Speaker, I was unable to make it here at the appropriate time and I thank you and the House for providing me this opportunity.

It is my pleasure to debate the private member's motion in the name of my colleague from Saskatoon—Humboldt. It would create a separate category of criminal offences for computer hackers or people who willfully disrupt the conduct of electronic business in Canada.

I had a minor introduction to this type of criminal activity for approximately one year when I was with the Calgary police department investigating commercial crime. It seemed then like it was caught up. The electronic media or communications aspect was growing at such a rate that police agencies across the country were not on the cutting edge of attempting to curb this illegal activity.

● (1730)

I believe that is the way it always will be. Communication is expanding at such a rate that it will always leave the agencies behind even though they will try to put the necessary resources into performing their investigations. However the resources required to conduct investigations into electronic criminal offences will be horrendous. I believe it would have to certainly be looked at from a national level. National police agencies and national agencies of all kinds should and must get involved to counter it.

Just a few days ago I bought a little instrument called a BlackBerry. Little did I know just how effective these instruments were. It is like carrying a computer around with me everywhere I go. Yes, I feel very high tech right now. It is strapped to my side. I am afraid to take it off as I might bleed to death. It really is quite an instrument. I can e-mail to any computer, definitely in North America, from this very small hand-held device. I can send and receive messages from the palm of my hand.

The other intriguing thing about this particular instrument is that it is a Canadian innovation. It just shows how wireless communication systems are encroaching upon just about every form of activity we have. It allows Canadians and others easier access to one another even though they may be thousands of miles away, in differing venues or circumstance. Students in Victoria can research information at a library in Prince Edward Island or Toronto as easily as they can in their hometown. Seniors can make daily contact with their grandchildren living at the other end of the earth for that matter.

Speaking of the BlackBerry, it just went off on my side, so somebody right now is sending me a message. It is certainly not within this House, so it could be from almost anywhere. It is all written text. It is quite a unique device.

This business has been revolutionized to the nth degree. The speed of this communication certainly is not going to slow down.

The other point that brings focus to electronic endeavours, or intrigue, is online marketing and the fact that we can bank with these machines. There is no question that with all of this access there will be fraud. It just seems more certain than not that fraudulent activity will take place as the electronic world develops at a pace that is almost unbelievable.

The Internet has become the essential tool for Canadian businesses and consumers, so it poses a serious security problem for all involved. As more and more companies and government agencies computerize and network confidential databases, the privacy of Canadians is increasingly put at risk by hackers.

It was not too long ago when I heard that even police departments and the military had their computers entered illegally.

It is a very significant concern when we start looking at confidential security matters. As more Canadians use the Internet and more businesses collect increasing amounts of information, the security problems I have pointed out will increase. That is why this is an area where the government needs to step in. The current criminal code revisions are simply not strong enough.

My colleague's motion seeks to have the government introduce a bill that would provide specific provisions in the criminal code which police could use to charge people engaged in either hacking or exporting computer viruses.

• (1735)

I agree with my colleague that the penalty for such acts should be quite severe. Malicious damage and manipulation of computer networks and databases should be treated as theft and vandalism. It is a deliberate attack on someone else's property and a threat to the privacy of all Canadians. These are serious offences. It is no different than physically breaking into someone's home or business and rummaging through their files.

We should do what we can do to ensure that Canadians gain unique benefits from the Internet, while knowing that there is a sufficient legal framework in place to protect them from unwanted intrusions. I urge all hon. members to support Motion No. 80.

The Deputy Speaker: Clearly the House has rules about props. I am not sure about commercials yet. That is something we will have to research further.

[*Translation*]

Mr. Réal Ménard (Hochelaga—Maisonnette, BQ): Mr. Speaker, I would like to congratulate the hon. member for Saskatoon—Humboldt on his private member's motion. Before I deal with the substance of the motion, I would like to make a comment.

I have read the remarks of the sponsor of the motion. He reminded us that, besides the debate he wants to initiate on computer hacking, we need to discuss the private members' business process. It is not normal that mere chance should determine how and when members will be able to introduce bills or motions. It is a lottery system that determines which business will

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be selected for the consideration by the House. The same system determines also which motions will be made votable.

I think that system has to be reviewed. In fact, we had a debate in the House on this very issue on a Tuesday night, in April if I am not mistaken. I hope the House leaders from every party will examine the issue.

I do not think that the Bloc Québécois can support this motion as it stands now. I say this regretfully, because we are always favourably disposed, in principle, toward private members' business. That is the opportunity, in the system, to stress initiative. In spite of what the Parliamentary Secretary to the Solicitor General may think, we are always favourably disposed, in principle, toward private members' business.

This is the opportunity, in our parliamentary system, to encourage members' initiatives and also to distance ourselves, which is critical, from the executive and Cabinet, which, as we know, often plays an inordinate role in our parliamentary system.

For purposes of clarity, I would like to reread the motion:

That, in the opinion of this House, the government should immediately amend the Criminal Code to create a separate category of offences and punishments for computer hackers and persons who wilfully or maliciously export computer viruses, both of whose activities disrupt the normal conduct of electronic business in Canada.

When I first read the motion, I said to myself that it made sense. We all know that it would be very hard to live without the computer nowadays. We also know that a person who has no basic knowledge of computers and who does not have at least some ability to surf the Internet will soon be considered illiterate.

New products are related to the computers and these products have a life cycle of five years. Every five years, new products are introduced, and we constantly have to adapt.

I would like to remind our viewers that each party leader has access to some computer facilities. We all know how computers are an integral part of our ability to do our work as parliamentarians, and this also holds true for a variety of sectors in society.

I have asked myself if there is something in the criminal code to meet the objectives of our colleague, the member for Saskatoon—Humboldt.

• (1740)

I read section 430 of the criminal code, and I do not understand how this section, which already exists and can be applied immediately, will not allow us to achieve the objectives pursued by the member through his motion, that is, punishing people who use computers to disrupt electronic business.

When people disrupt electronic business by introducing viruses, they destroy data banks and a part of the economy, because today

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we can pay bills and make business transactions through computers. With some financial institutions, we can even get authorized loans. There is a whole area of computer science that is developing, which is called domatique, and which will ensure that, as consumers, we will be able, from our homes, to make transactions that would have been unthinkable a few years ago.

Section 430 provides for an offence system. I remind members that the criminal code is a legislation. Several times in the House, we have amended the criminal code. We have amended it to include aggravating circumstances. Section 718 of the criminal code says that, when a person is abusing gays, for example, the judge assessing the case will have to impose a more severe sentence. This is the heinous crime legislation.

Tuesday, in the standing committee on justice, we considered each clause of Bill C-24, which provides a framework on the whole issue of anti-gang legislation. Clause 24 says that certain offences or helping organized crime is punishable by 14 years in prison.

I could draw up a fairly long and comprehensive list of the circumstances for which the lawmaker saw fit to amend the criminal code. But I believe we should not overdo it. The criminal code is complex enough as it is, both in terms of its interpretation and its enforcement. Let us not forget that the criminal code is a federal act, but that the provinces have to enforce it.

We want to make it very clear that by taking part in this debate we will ask members of the Canadian Alliance—those who are still in it and those who have left—to explain why we need new provisions. We do not understand why section 430 would not allow the objectives sought by our colleague from Saskatoon—Humboldt to be met.

We understand, of course, that economic crimes are often committed through the Internet. Mafia boy is a case in point. In an article I read, it is said that the damage caused by this young computer whiz, who is just over ten years of age, when he broke in to a number of systems, including those of the FBI, the CIA and several big American bureaus of investigation, is estimated at \$1.7 billion.

As parliamentarians, we are right not to take this lightly. I suppose that the Parliamentary Secretary to the Solicitor General of Canada, who is very vigilant regarding the RCMP's activities, will remind us that there is within the RCMP a section dealing with economic crimes committed through Internet and computers.

Again, we understand the hon. member's concerns. There have been fundamental changes in computers. Computers are no longer for recreational purposes only, as they were when I started using them. We used them to get information, and we used them a lot for recreational purposes.

• (1745)

Nowadays, many services are linked to economic development. Major economic players use computers as a matter of course, for their transactions.

Only last week, I had to get involved. In Quebec, the Mouvement Desjardins is rationalizing its services and facilities. Unfortunately, there is a relationship between the fact that people are relying less on bank tellers and more on computers. The issue is to maintain jobs. It makes us realize that computers have permeated many aspects of our daily lives that we would not have thought possible just a few years back.

I certainly do not want to give the impression that we are not aware or mindful of all the ramifications of the various computer applications. However, we do not believe that a new set of offences is needed.

We should be able to reach our goals with section 430 of the criminal code. For all these reasons, we would hope to get more details on this issue, but unless we get some very convincing explanations, we will be voting against the motion.

[English]

Mr. Lynn Myers (Parliamentary Secretary to Solicitor General of Canada, Lib.): Mr. Speaker, I will begin by thanking the member for Saskatoon—Humboldt for bringing this motion to the attention of the House. It clearly is an issue of great concern and certainly is an issue of importance, not only nationally but internationally as well.

I also want to express my appreciation of the views related to this issue that have been expressed by a number of members in the House. For example, the member for Hochelaga—Maisonneuve made some very important points about the criminal code, mafia boy and others, some of which I will highlight later in my speech as well.

It is fair to say that issues relating to cybercrime, such as hacking and malicious virus dissemination, have been widely reported over recent months and have caused governments, industry and the public great deal of concern.

I think it is fair to say too that criminal conduct on the Internet has grown as the use of the Internet has grown. As we know, Canadians are in the lead in its use in many instances, therefore it is important that this and related issues receive the proper attention of parliament and the government in general.

That being said, I would like to restate the government's commitment to ensuring that our laws keep pace with technology. We would like to continue to foster the relationships the government has created with law enforcement and industry to ensure that

the laws and the tools used to combat cybercrime fulfil the needs of law enforcement without hampering our industries' competitive advantage.

Canada continues to be a world leader in the area of battling cybercrime, crime that in many instances does not respect borders. We have forged many international partnerships and will continue our involvement, for example, in the G-8 and the Council of Europe as well as the United Nations, to name just a few, in order to combat and deal with these kinds of issues.

The member's motion, although well intentioned, is nonetheless redundant. He has characterized it as a provision that will fill a void in Canadian criminal law. I would suggest that in fact that is not the case. It will not do that because sections 342.1 and 431.1 of the criminal code were designed with the dissemination of malicious computer viruses in mind. They were also worded in a manner that could be applicable to some future, still unknown, form of mischief.

It is a good thing that one of Canada's great legal traditions is to draft legislation in a general manner so that it fits not a particular thing but a number of things. In other words, in Canada fraud is fraud, whether committed by a person or committed by a computer. We do not need, then, a separate offence to cover computer fraud.

In that same line of reasoning, a section that was created to deal with any form of mischief to data, for example, including computer virus dissemination, should not be overridden simply because it does not include those words explicitly. Again, Canada's legal tradition kicks in here in a very fair minded and actually a forward thinking way.

During the first hour of debate the hon. member for Fundy—Royal said it best when he stated that the current criminal code is adequate to deal with computer hackers. He also pointed out that these serious offences carry a maximum penalty of 10 years imprisonment. That is already in place. Where the mischief in question endangers life, the penalty can be life imprisonment.

• (1750)

It is clear from at least the government's point of view, then, that the criminal code already deals with these types of crimes in a very serious manner. These provisions have been on the books for over 15 years and in 1997 were fine tuned and adjusted. Amendments were made at the time to reflect the realities of the day. This is demonstrative of the government's ongoing commitment to update the laws as needed. We continue to do so. I think that is the strength of the government: to ensure that we are ahead of the game in these kinds of things.

Although the Minister of Justice agrees with the motion in principle, she cannot support it because it affects conduct that already has been contemplated by the criminal code. I know that her parliamentary secretary agrees with that position.

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Justice officials have been working to establish and foster partnerships with private industry, law enforcement and other governments. It is our understanding from these sources that the criminal code adequately deals with the conduct described in the motion before us. Law enforcement has and will continue to use these provisions successfully.

We are all aware of the recent mafia boy case to which the member for Hochelaga—Maisonneuve referred, where the accused was charged with 64 counts of hacking and mischief. Internationally, Canada is recognized as a world leader. In a recent independent international study on the readiness of national law to deal with cybercrime, McConnell International found that Canada's cybercrime laws are among the world's strongest. That is worth celebrating. It is worth it for all of us as parliamentarians to think about it. Internationally we are well renowned. We are known throughout the world in terms of having some of the strongest laws on the books.

Although Canada is a world leader in this regard, the government is committed to ensuring that our laws speak to our ever changing technological environment but that at the same time we have due regard for fundamental human rights. Canada continues its role as a world leader and as an active participant in many international forums on the issue of cybercrime. These include, and I will note them for the record, the G-8, the Council of Europe, the United Nations, the Commonwealth Secretariat, OECD and the Organization of American States.

As observers to the Council of Europe, Canadian delegates have been integral in negotiating a draft convention on cybercrime that which will be adopted later this year and will stand as a benchmark for international instruments in this area. Again it is something of which Canadians, wherever they live, can be justifiably proud. At the G-8, Canada continues its leadership role on cybercrime issues and is looking forward to its presidency in the year 2002. That underscores the leadership role that the country takes on matters of such grave and important substance.

Because cybercrime challenges our notions of sovereignty, our participation in these international forums will require that we constantly review our legislation, not only to make sure that it keeps pace with technology but also that it keeps pace with the laws of our international partners. We need to work together on this and Canada will take its lead, as it always has, in this very important area.

In summary, the Minister of Justice is satisfied that the criminal code already covers the malicious dissemination of computer viruses and that no further action is required in this area and with respect to the motion. I would ask all members to consider that and vote accordingly.

Private Members' Business

Mr. Larry Spencer (Regina—Lumsden—Lake Centre, Canadian Alliance): Mr. Speaker, I was deep in thought about what the member across the way said, however, I am thankful to the member for Saskatoon—Humboldt for introducing this private member's motion. I believe every member should support the motion.

I do not believe that the criminal code is sufficient as it is. It is perhaps outdated regarding Internet crime and I believe it is yet another symptom of how we are failing to keep up with the times in having a judicial system that protects Canadians.

Ever since the Internet entered the public domain there has been an enormous resistance to any regulation or interference by the government in the Internet. The Internet is believed by some to be the last bastion of pure freedom. Some people believed it could not be regulated and some people want freedom without limits, without consideration for others and without any accountability. However, freedom does come with responsibility, with limits, with consideration and with accountability.

● (1755)

Internet crime has proven to be harmful to personal property and will even destroy it. My own son's computer contained the files for my personal website during the election campaign. The night that he was to go home and finish that campaign site he found that a hacker had entered his computer and had actually destroyed the computer itself. He actually had to replace the hard drive because of the action of that hacker. We know it can happen. We know that Internet crime can also interrupt business. We believe it is time to shut down crime.

The Internet came on in the early nineties. It was the gateway to a new era. It developed so quickly that it seems to have left a lot of things in its wake. It moved so quickly that technology was perhaps slow in keeping up with the hackers, in keeping them out. Also, though, I believe that we were slow in heading them off.

Moving just as quickly, of course, were those we call hackers, who were attempting to destroy opportunities. The word virus took on a new meaning. Those who would destroy the opportunities and those who would create destructive viruses are the criminals that the member of parliament from Saskatoon—Humboldt and others want to shut down through this type of motion.

Existing crime legislation was never designed to deal with the types of Internet crime we are witnessing. Some of this crime was never even imagined in those days and it continues to develop in things that are happening on the Internet.

I believe amendments to the criminal code are required that will allow it to specifically deal with Internet crime. Amending the

criminal code would provide law enforcement agencies and the courts with the tools they need.

Many have benefited personally from crimes on the Internet. It reminds me of the old protection racket in the old west, for instance, or in the Al Capone days. It seems that one of the ways to get a good computer job is to learn how to be a good hacker, to hack into some company's files and then offer oneself for hire. I do not believe that should even be allowed.

I support those who want to keep the government from unduly regulating the Internet and I support measures that will secure the existing network for us and for future users.

However, I believe there are things that we have not even mentioned and that this bill certainly does not address. I believe, for instance, that we also ought to look at sites that would entrap children in pornographic sites. I know this bill does not address that. That is just an example of how things progress on the Internet. We should broaden our look at what might be considered an Internet crime.

I have information here which indicates that by May 10 of this year the number of viruses tracked by MessageLabs SkyScan virus scanning service passed 185,000. That exceeds the mark reached in the whole year of 2000. We are seeing this kind of steady increase. Another consultant with another firm said "Around a year ago we would probably expect to see 1,000 new viruses each month. Nowadays we aren't surprised to see 1,200".

There have been two major viruses this year, and we all know about the one last year, the love bug virus. These viruses are developing very rapidly.

I believe that the laws need to be tough enough to punish those who would willfully spread computer viruses and those who write them. We must take the cool out of writing viruses and we must not allow people to profit from it.

● (1800)

I understand that people who distribute viruses get the code from a virus exchange website where authors post viral source codes. This in itself should be illegal. To allow the tools for writing viruses to be on the Internet seems to me to be quite comical, but it is happening. If our laws are so sufficient, why is it continuing to happen? Why are those sites there?

It has been stated that no one is ever shown anything useful about a computer virus. It is bad and it only does harm and the law should treat it accordingly. Peter Tippet, a chief technology officer for TruSecure Corporation, wrote a recent article in which he says that making a bomb is illegal while writing about a bomb is not illegal and with a computer virus the words are the bomb.

Virus writers are glory seekers. They believe they are free in the wild, wild west of the computer Internet world to do whatever they want to do. It is time that we introduced some effective crime legislation to deal with hackers. I am pleased to support the bill which calls for some important steps to be taken toward the real control of Internet crime.

Ms. Val Meredith (South Surrey—White Rock—Langley, Canadian Alliance): Mr. Speaker, it is a pleasure to rise to speak to the private member's motion that has been put on the agenda by my colleague from Saskatoon—Humboldt. The motion states:

That, in the opinion of this House, the government should immediately amend the Criminal Code to create a separate category of offences and punishments for computer hackers and persons who wilfully or maliciously export computer viruses, both of whose activities disrupt the normal conduct of electronic business in Canada.

There is not one of us in this place who is not aware of the importance of the Internet and of the new technologies available to us to allow us to do our job. There is no one in the House who does not understand the potential of the invasion of a person's privacy through the new technology that we use.

The industry committee took many hours in looking at the new e-commerce, the privacy issues and how we protect information when using this new technology. Companies in society have created an international environment through the use of the Internet and the use of new technologies.

My colleague who spoke earlier gave a couple of examples of new technologies as his phone rang and his BlackBerry warning went off. These new technologies have become part of how we conduct ourselves, how we do business, how we communicate with each other and how we share information immediately. I could write an e-mail message and send it to someone in Vienna, Austria, who would receive it immediately. It is a technology that has advanced our business community. It has allowed that community to be competitive in the international scheme of things.

When we talk about offences, about people who break into someone's system or about someone who deliberately plants a virus that will disrupt a communication tool, we need to have some vehicle or means of dealing with it.

I do not think we are talking about high school kids who play around and mischievously plant things in computer systems, but we are talking about people who, for either their own personal gain or for a reason more serious than that, deliberately interfere with the ability of a company to communicate either within its own company or with others around the world.

• (1805)

I know and have known for a number of years that there has been a concern within companies about people trying to hack into their computer systems for malicious reasons, either because they are disgruntled employees or because they want to remove or destroy

information within the system that might affect them or might benefit them economically.

We have a whole new range of criminal activity. I call it criminal activity because people are deliberately, maliciously and intentionally destroying the abilities of companies, corporations and banks to use the new technology in the manner it was designed to be used.

We have to deal with these individuals who are committing crimes. People have used the analogy of someone who breaks into a home and rifles through papers, goes through closets and dressers and gets access to things that he or she has no business having access to.

When we talk about hacking into a bank, we are talking about the ability to transfer money, to actually steal assets or to remove information that clearly defines who those assets belong to.

There are other circumstances as well. Someone who hacks into a defence equipment file or a police file has access to very sensitive information. In the police scenario, someone could destroy the credibility of evidence to be presented in court. In the defence scenario, someone might get information that is a risk to the security of the country.

How do we deal with this? Today there is no specific way of dealing with an individual who is hacking into computer equipment and programs. To those doing business, the cost of trying to protect computer networks from outside hackers is incredible. They are constantly trying to be ahead of technology. Businesses are constantly trying to figure out how to prevent people from hacking into their systems. It must be very frustrating for businesses to have to put these costs into their system and their budgetary programming knowing that if an individual is caught hacking into their computer systems, it is questionable whether or not that individual would face a criminal charge or have any kind of meaningful sanction.

Then we get into the issue of viruses and their potential to create the same kind of damage. There it is not stealing information, accessing or transferring assets or anything of that nature, but if this is done deliberately to create confusion or to cause disruption to a company doing business, it should be considered a very serious criminal action. That also is not happening because there is nothing in legislation that specifically sets up the issue for people who create viruses. I do not think there is a member in the Chamber who does not know about the effect a virus can have and about the insecurity one has in dealing with computers knowing all these viruses exist.

• (1810)

I recently bought a new software program that is able to hunt out viruses when I turn on the computer. It deals with viruses and removes them from the system. Supposedly the software program can kill a virus brought in from the outside before it attacks any information in the system. However, I found out that I am not

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protected from any new virus that comes in after the software program came on the market. How many software virus programs does a person have to buy? Does a person have to buy one every day because every day someone is creating a new virus?

We have to consider this concern, as I am sure people are, with our reliance on new technology such as e-mail, the Internet and even storing information on computer networks. Certainly here in the House of Commons we have that concern.

If someone were so creative as to come up with a virus that would shut down all the systems at the same time, I am not sure how society or commerce or banking would survive, because we have become very reliant on computer technology. What about buying licence plates for my car or buying groceries or doing my banking? Most people use debit cards in grocery stores, restaurants or Canadian Tire. Debit cards are tied into a computer network. I really wonder whether as a society we could manage to keep operating. Because of our reliance on the new technology and on the security of the new technology, it is extremely important that we recognize computer hacking as a criminal offence and put sanctions on it.

The hon. member for Saskatoon—Humboldt deserves a lot of credit for taking seriously what he heard as concerns of the industry committee, the business community and also the medical community. He is to be commended for hearing their concerns and for identifying a situation that our criminal code does not deal with sufficiently.

We should view the motion my hon. colleague has presented to the House as a positive thing, as something that can at least begin to address and support the study done by the industry committee. We need to be very concerned about the privacy, security and protection of the new technology, of the information highway, of information systems and of all the different areas of the new technology that can be interfered with and interrupted and undermined by a criminal mind.

Mr. Speaker, thank you for the opportunity to support my colleague. I appreciate his diligence in putting the bill before the House. I hope that all parties would see the need to support the legislation and ensure that it at least advances beyond a private member's motion.

Mr. Larry Bagnell (Yukon, Lib.): Mr. Speaker, as the last speaker of the day, I can sum up basically the whole debate by saying that virtually everyone agrees computers are very important in our society and computer hacking is a terrible problem. It is the remedy that we need to discuss: whether section 430 of the criminal code is enough or whether the government should make additional amendments. That is how people will vote.

I want to make two points. One is for my constituents and it is that to have these problems we need to be connected. I am very

glad the Government of Canada in its recent throne speech put a lot of effort into connecting Canadians. I have been urging and trying to get the towns of Faro and Ross River connected. I hope every house in the small Yukon communities of Beaver Creek, Pelly Crossing, Carcross, Old Crow, Destruction Bay, Burwash Landing, Elsa and Keena will be connected one day.

• (1815)

Finally, on the day the motion was introduced, the person who introduced it also introduced something that was not very unifying. I would like to induce him to perhaps take some private reflection or remember that softwares are languages on computers. There are quite a few and they all bring strength to a computer. If people understand a lot of languages on a computer then they have more strength.

With respect to the other initiative he brought forward, we want Canadians to be in the position of strength understanding that those many languages strengthen Canada. I hope he will reflect on that.

The Deputy Speaker: The time provided for the consideration of private members' business has now expired and the order is dropped to the bottom of the order of precedence on the order paper.

ADJOURNMENT PROCEEDINGS

[English]

A motion to adjourn the House under Standing Order 38 deemed to have been moved.

HEALTH

Mr. Keith Martin (Esquimalt—Juan de Fuca, Canadian Alliance): Mr. Speaker, on April 27 I asked the Minister of Health a question concerning hepatitis C and why individuals who were infected outside the 1986-1990 border, who contracted hepatitis C through no fault of their own through tainted blood, had not been compensated. The response I received was that the minister was frustrated.

I bring this up again because people who contracted hepatitis C through tainted blood do not need frustration. What they need is leadership. That is what will help them.

Between 1978 and 1986, 14,000 Canadians contracted hepatitis C through no fault of their own. We have to find out who these individuals are. Many of them are unknown to the medical community because the time course for acquiring symptoms can be more than 10 years. It can even be as much as 40 years before any symptoms accrue. Some provinces are trying to find out who these people are, and the federal government ought to help them in that way.

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The number of victims who contracted hepatitis C was overestimated. There is \$1.1 billion available to compensate victims. Because of the overestimation, there should be a surplus of money which should go to those individuals who have not as yet been compensated.

I do not know why the government has not done that. These people are suffering at home. They do not have the treatment or the medication they require. They have simply slipped through the cracks to live their lives in quiet desperation through no fault of their own.

We all have this problem in our ridings. I am simply asking the Minister of Health to do the right thing. I am asking the Minister of Health, while the money is there, to please compensate those victims who are outside the window of compensation.

This is an issue of fairness, and the money is there. Rather than the money being chewed up by lawyers' fees, because these people are bringing cases to the court, why not make sure it goes to the patients for the care and medication they require.

I also would like to draw to the attention of the members that the number of people who are contracting hepatitis C is increasing because of the explosion of intravenous drug use. We also know that people who snort cocaine through the use of shared straws can contract the hepatitis C virus if they have open sores. This is important for the public to recognize.

• (1820)

In closing, on behalf of the 14,000 plus individuals who contracted hepatitis C through tainted blood that was not checked by tests that were available at the time and as a matter of fairness and compassion to those individuals, I plead with the government to compensate those individuals so they will have the treatment and medical care they require. It is a simple request. It is simple to do, and I hope the government does it as soon as possible.

Mr. Lynn Myers (Parliamentary Secretary to Solicitor General of Canada, Lib.): Mr. Speaker, in March 1998 the federal, provincial and territorial governments agreed to offer compensation to Canadians who were tragically infected with hepatitis C through the Canadian blood system between January 1, 1986 and July 1, 1990.

Governments and lawyers for the class action plaintiffs reached a proposed settlement agreement and filed it with the three class action courts in June 1999. The settlement was approved by the

courts in December 1999. It was recognized that the settlement was fair and equitable.

Since the court appointment in March 2000 of Crawford Expertises Canada Inc. and The Garden City Group as the arm's length administrator, Crawford has developed claims protocols and has had these protocols approved by the courts. Crawford has received and reviewed more than 5,000 claims and, since June 25, 2000, more than 2,000 individuals have received compensation.

The joint committee, a group of lawyers appointed by the courts to supervise the administration of the settlement agreement, has assured the Minister of Health recently that they are taking every available step to review claims efficiently and promptly.

The government's plans to assist people living with hepatitis C are not limited to the settlement compensation. Following the compensation announcement in March 1999, the Government of Canada received representation from individuals infected outside the window period. The Minister of Health listened to their concerns and as a result, in September 1998 a \$525 million strategy was announced to assist all individuals infected with hepatitis C.

As part of this proposal, the government is transferring to the provinces and territories up to \$300 million to ensure that all those who contracted hepatitis C through the blood system, no matter when, will have reasonable and ongoing access to the medical goods and services needed for appropriate treatment. The government has demonstrated care and compassion toward all victims. This stands as proof in that respect.

Health Canada was proud to be the sponsor of a national conference for hepatitis C which took place May 1 to May 4 in Montreal this past little while. This conference brought together all stakeholders to share their experience and knowledge of recent medical developments and strategies for disease prevention and control along with health promotion in community support.

It is my contention, and I believe people will agree, that the government is doing everything it can for the victims of hepatitis C.

[*Translation*]

The Deputy Speaker: The motion to adjourn the House is now deemed to have been adopted. Accordingly, this House stands adjourned until tomorrow at 10 a.m., pursuant to Standing Order 24.

(The House adjourned at 6.23 p.m.)

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