



CANADA

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OFFICIAL REPORT
(HANSARD)

Thursday, November 4, 2004

—
Speaker: The Honourable Peter Milliken

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HOUSE OF COMMONS

Thursday, November 4, 2004

The House met at 10 a.m.

Prayers

●(1000)
[English]

POINTS OF ORDER

ORAL QUESTION PERIOD—SPEAKER'S RULING

The Speaker: I am now prepared to rule on the point of order raised by the hon. member for Ahuntsic concerning remarks made by the hon. member for Central Nova during question period on October 29, 2004, where he made reference to “la *famiglia* libérale”.

When the matter was raised, I indicated I would take the matter under advisement, check the blues, and get back to the House if necessary. I have now done so and am prepared to rule on the question.

I have reviewed the tape of proceedings that day and it clearly shows that the hon. member for Central Nova used the expression “la *famiglia* libérale” in posing a question.

As hon. members know, there are few words in and of themselves that are not acceptable to the House to the point of being considered unparliamentary in any circumstances.

●(1005)
[Translation]

However, in dealing with unparliamentary language, as the *House of Commons Procedure and Practice* points out at, page 526:

—the Speaker takes into account the tone, manner and intention of the Member speaking; the person to whom the words were directed; the degree of provocation; and, most importantly, whether or not the remarks created disorder in the Chamber.”

[English]

As I recall, on Friday last there was some commotion caused by the question of the hon. member for Central Nova but, as I indicated to the House at the time, since the Chair was not actually familiar with the term *famiglia*, I had attributed the commotion to the usual high spirits that characterize exchanges during question period on Fridays.

However, after question period, the hon. member for Ahuntsic rose to take exception to the hon. member for Central Nova's use of language, arguing that the term *famiglia* used in the context of his

question was language that she found unparliamentary and, moreover, that the term is offensive to Canadians of Italian origin, many of whom are her constituents.

I have now looked into the matter and I understand that the Italian word *famiglia*, meaning family, in the context of popular culture, is an indirect reference to organized crime, specifically the Mafia, a criminal organization that originated in Sicily but eventually became established internationally. In light of this new information, the Chair can appreciate why the hon. member for Ahuntsic has raised her objections.

I ought not to have to remind colleagues of the need to refrain from using words that might cause disorder, let alone using language in a way that might give offence to a particular ethnic group.

I understand, of course, that question period especially is one of those times when partisan feelings can run high and members quite enjoy exchanging barbs. However I would urge all hon. members to be very prudent in their choice of words. Strong language can still be temperate and respectful.

Accordingly, in this instance, the Chair has concluded that the remarks of the hon. member for Central Nova, taken in context, go beyond the limits of what is permissible. The hon. member did rise in response to the complaint of the hon. member for Ahuntsic and made a partial withdrawal with respect to certain persons. However the Chair does not find that to be sufficient in the circumstances and so I would ask the hon. member for Central Nova to withdraw his remarks completely so that we can bring this issue to a close.

Mr. Peter MacKay (Central Nova, CPC): Mr. Speaker, as I did instantly, I unreservedly withdraw the remark as I did previously.

ROUTINE PROCEEDINGS

●(1010)
[English]

PRIVACY COMMISSIONER

The Speaker: I have the honour to lay upon the table the 2003 report of the Privacy Commissioner. This important report is deemed permanently referred to the Standing Committee on Government Operations and Estimates.

*Routine Proceedings***SUPPLEMENTARY ESTIMATES (A)**

A message from Her Excellency the Governor General transmitting supplementary estimates (A) of sums required to defray expenses of the Public Service of Canada for the fiscal year ending March 31, 2005, was presented by the President of the Treasury Board and read by the Speaker to the House.

* * *

ORDER IN COUNCIL APPOINTMENTS

Hon. Dominic LeBlanc (Parliamentary Secretary to the Leader of the Government in the House of Commons, Lib.): Mr. Speaker, I have the honour to table a number of orders in council recently made by the government.

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INTERPARLIAMENTARY DELEGATIONS

Mr. Maurice Vellacott (Saskatoon—Wanuskewin, CPC): Mr. Speaker, pursuant to Standing Order 34(1) I have the honour to present to the House, in both official languages, the report of the Canadian delegation of the Canada-Europe Parliamentary Association respecting its participation in the fourth part of the 2004 ordinary session of the Parliamentary Assembly of the Council of Europe held in Strasbourg, France, October 4 to 8, 2004.

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COMMITTEES OF THE HOUSE

CANADIAN HERITAGE

Ms. Marlene Catterall (Ottawa West—Nepean, Lib.): Mr. Speaker, I have the honour to present, in both official languages, the second report of the Standing Committee on Canadian Heritage relating to copyright reform raised in the first report of the Standing Committee on Canadian Heritage in the third session of the 37th Parliament, entitled "Interim Report on Copyright Reform".

[*Translation*]

I also have the honour to present in both official languages the first report of the Standing Committee on Canadian Heritage on the Canadian broadcasting system mentioned in the second report of the Standing Committee on Canadian Heritage in the second session of the 37th Parliament and entitled "Our Cultural Sovereignty: The Second Century of Broadcasting".

JUSTICE, HUMAN RIGHTS, PUBLIC SAFETY AND EMERGENCY
PREPAREDNESS

Hon. Paul DeVillers (Simcoe North, Lib.): Mr. Speaker, I have the honour to present, in both official languages, the first report of the Standing Committee on Justice, Human Rights, Public Safety and Emergency Preparedness.

•(1015)

[*English*]

In accordance with the order of reference of Friday, October 15, 2004, your committee has considered Bill C-6, an act to establish the Department of Public Safety and Emergency Preparedness and to amend or repeal certain acts and, as agreed on Wednesday, November 3, 2004, to report it with amendments.

CANADA ELECTIONS ACT

Mr. Mark Holland (Ajax—Pickering, Lib.) moved for leave to introduce Bill C-261, an act to amend the Canada Elections Act (voter and candidate age).

He said: Mr. Speaker, I rise to introduce a bill which seeks to increase the participation of youth in Canada's electoral system.

The bill would lower the federal voting age to 16 so that young people could learn to be active electors while they are still in school. Unlike previous bills on this subject, it would keep the age to be a candidate at 18.

I urge all members to support the bill. I am happy to work with members of all parties to make the bill a reality.

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

* * *

NATIONAL VETERANS FUNERAL HONOURS ACT

Mrs. Cheryl Gallant (Renfrew—Nipissing—Pembroke, CPC) moved for leave to introduce Bill C-262, an act respecting funeral honours to veterans.

She said: Mr. Speaker, it gives me great pleasure to introduce my private member's bill, an act respecting funeral honours to veterans.

The purpose of the bill is to recognize the great sacrifice of the men and women who served in Canada's armed forces. The legislation would provide for a military guard of honour to provide the dignity and respect our veterans deserve.

Currently various regiments provide some benefits to their comrades on an ad hoc basis. The bill would provide recognition for service by a grateful nation.

An advisory council to the Minister of Veterans Affairs recently recommended improved funeral and burial benefits for veterans. Therefore it gives me pleasure to recognize their work and complement their recommendations with this bill.

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

* * *

[*Translation*]**CANADA LABOUR CODE**

Mr. Roger Clavet (Louis-Hébert, BQ) moved for leave to present Bill C-263, an act to amend the Canada Labour Code (replacement workers).

He said: Mr. Speaker, I am extremely proud to introduce an anti-scab bill this morning. Its purpose is to ban the use of strikebreakers by companies under federal jurisdiction.

*Routine Proceedings***MEMORIAL CROSS ACT**

Mr. Peter Stoffer (Sackville—Eastern Shore, NDP) moved for leave to introduce Bill C-266, an act to provide for the issuance of the Memorial Cross as a memento of personal loss.

He said: Mr. Speaker, as all Canadians know, when an armed forces person dies in the line of duty, the mother of that victim receives the Memorial Cross as a symbol of her sacrifice for all of Canada. There is another person who also suffers a great loss and that is the father of the armed forces member. This bill aims to extend the Memorial Cross award so that not only the mother, but the father of the soldier, airman or crew who dies in the line of duty is also recognized by the sacrifice.

As we know, the grief of the mother is not to be diminished in any way, but the grief of the father is as equal. I believe it is now time in the modernization of our country to allow both parents to receive the Memorial Cross as a symbol of their great sacrifice to all of Canada.

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

* * *

[*Translation*]

PETITIONS

EMPLOYMENT INSURANCE

Mr. Marc Lemay (Abitibi—Témiscamingue, BQ): Mr. Speaker, it is my privilege this morning to table a petition bearing dozens of signatures from the riding of Abitibi—Témiscamingue.

The petitioners are calling for a raise in employment insurance benefits given the fact that many workers in my region are seasonal workers and they are currently going through an unprecedented crisis period in the softwood lumber industry, in particular. It is especially appropriate since the government keeps putting off fair reform of employment insurance in order to adequately support workers.

That is why, through this petition, we are calling on the federal government to end the transitional measures, raise benefits for workers and adopt a universal employment insurance plan.

[*English*]

MARRIAGE

Mr. Garry Breitkreuz (Yorkton—Melville, CPC): Mr. Speaker, it is my privilege to once again submit a petition from the constituents of Yorkton—Melville. Despite the government's attempts to downplay the importance of the issue of traditional marriage, it continues to be a huge concern.

René Lévesque gave Quebec such legislation in 1977. It is high time to fill the gap left by the Canada Labour Code. In particular, this bill is intended to avoid any more labour conflicts involving intimidation and violence. Examples of these are Vidéotron, Cargil, Sécur and Radio-Nord.

The intention of this bill is to civilize labour relations in the event of strikes or lockouts. I would invite all members of this House to support this totally non-partisan bill, in order to eliminate the use of scabs, which is still permitted by the Canada Labour Code.

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

* * *

[*English*]

**AGRICULTURAL SUPPLY MANAGEMENT
RECOGNITION AND PROMOTION ACT**

Mr. Lynn Myers (Kitchener—Wilmot—Wellesley—Woolwich, Lib.) moved for leave to introduce Bill C-264, an act for the recognition and promotion of agricultural supply management.

He said: Mr. Speaker, I am pleased to introduce a private member's bill dealing with supply management.

The purpose of this bill is to establish and implement the Government of Canada's policy respecting agricultural supply management. Simply put, it is intended to recognize and promote supply management, and ensure that supply management is preserved in Canada.

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

* * *

● (1020)

INCOME TAX ACT

Mr. Jeff Watson (Essex, CPC) moved for leave to introduce Bill C-265, an act to amend the Income Tax Act (exemption from taxation of 50% of United States social security payments to Canadian residents).

He said: Mr. Speaker, I am pleased to introduce my first measure designed to restore tax fairness to those seniors living in Canada who collect U.S. social security as the basis of their retirement income.

These seniors, living not only in my riding of Essex and in the immediate region of Windsor, Ontario, but also living in communities from British Columbia to Quebec, and to New Brunswick, have waited nine years to see legislation introduced to roll back a 70% tax increase imposed upon them after they had already retired.

Sadly, thousands of these proud Canadians of modest and low income have passed away before ever seeing this measure introduced. Many years ago I pledged to these seniors that I would never forget their struggle to survive when I finally reached elected office in our Parliament. I have kept my word to them.

This is for Olive Smith, Bill Thrasher, Joan Eikre and others who have waited patiently. In the spirit of successful amendments to the throne speech, I urge my colleagues from all parties in the House to enthusiastically support restoring tax fairness to our retired seniors.

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

Supply

The constituents call the attention of Parliament to the fact that in 1999 a vote was taken to preserve the traditional definition of marriage, but a recent court decision has redefined marriage contrary to the wishes of Canadians. Now the government wants Parliament to vote on new legislation but only after it has been approved by the Supreme Court. This is a dangerous new precedent for democracy in Canada. Elected members of Parliament should decide the marriage issue, not appointed judges.

Therefore, the petitioners call upon Parliament to immediately hold a renewed debate on the definition of marriage and to reaffirm, as it did in 1999, its commitment to take all necessary steps to preserve marriage as the union of one man and one woman to the exclusion of all others.

• (1025)

Mr. Maurice Vellacott (Saskatoon—Wanuskewin, CPC): Mr. Speaker, I add these 216 people from my own riding of Saskatoon—Wanuskewin, adding to the several thousands I have done to this point as has my colleague. The petitioners call on Parliament to support the traditional, historic and sacred definition of marriage.

* * *

[Translation]

QUESTIONS ON THE ORDER PAPER

Hon. Dominic LeBlanc (Parliamentary Secretary to the Leader of the Government in the House of Commons, Lib.): Mr. Speaker, it may surprise you, but I ask that all questions be allowed to stand.

[English]

Mr. Speaker, I know that you and I are very anxious. The member for New Brunswick Southwest has continually talked about particular questions that he has on the order paper. I see he is here in the House. I want to assure you, Mr. Speaker, that every effort will be made, and I think we will have some very good news for him, probably the week back after the break, so he can celebrate the success of the aboriginal fisheries policy initiative with us.

The Speaker: I am sure the hon. member for New Brunswick Southwest will have something to say when the answer is tabled.

Is it agreed that all questions be allowed to stand?

Some hon. members: Agreed.

GOVERNMENT ORDERS

[English]

SUPPLY

OPPOSITION MOTION—NATURAL RESOURCES

Hon. Stephen Harper (Leader of the Opposition, CPC) moved:

That this House deplore the attitude of the Prime Minister of Canada at and following the First Ministers' Conference of October 26, 2004, and that it call on the federal government to immediately implement its pledges of June 5 and 27, 2004, to allow the provinces of Newfoundland and Labrador, and Nova Scotia to keep 100% of their provincial offshore oil and gas revenues.

He said: Mr. Speaker, I will be splitting my time with our deputy leader from Central Nova.

On June 5 of this year the Prime Minister arrived in St. John's, the capital of Newfoundland and Labrador. The context was the following. Obviously it was an election campaign when the Prime Minister was asked to respond to a longstanding Conservative commitment to ensure that the Atlantic provinces would enjoy 100% of their non-renewable resource royalties.

This is a commitment that was made by me in my capacity as leader of the Canadian Alliance when I first arrived here and has its origins in the intentions of the Atlantic accord signed by former Prime Minister Mulroney in the mid-1980s. These are longstanding commitments, our commitment to 100% of non-renewable resource royalties. It was our commitment during the election, before the election, and it remains our commitment today.

For the Prime Minister, this was something that he had opposed for 11 years and for most of his political career. But suddenly in the midst of an election campaign on June 5, he met with Newfoundland and Labrador Premier Danny Williams. He came out of that meeting and said the following:

I believe that Newfoundland and Labrador ought to be the primary beneficiary of the offshore resources, and what I have said to the premier is that I believe the proposal that he has put forth certainly provides the basis of an agreement between the two of us.

Premier Williams specified in a letter dated June 10 that:

The proposal my government made to you and your Minister of Natural Resources provides for 100% of direct provincial revenues generated by the petroleum resources in the Newfoundland and Labrador Offshore Area, to accrue to the government of Newfoundland and Labrador and be sheltered from the clawback provisions of the equalization formula—

The Prime Minister said he agreed with the Premier's proposal and he gave his word as Prime Minister of Canada. Premier Williams was asked at the press conference announcing the deal how he could be sure the Prime Minister would keep his word after the election. He replied that as a man of honour, that the solemn word of the Prime Minister was sufficient. Premier Williams said: "It's by word of mouth, and I'm taking him at his word, and that's good enough for me".

Unfortunately, the solemn word of this Prime Minister turned out to be not good enough. The Prime Minister ignored letters from Premier Williams on June 10, August 5 and August 24 urging him to confirm his promise. Suddenly, the Prime Minister and his Minister of Natural Resources fell silent.

Finally, on October 24, two days before the first ministers' conference, the Minister of Finance finally replied offering:

—additional annual payments that will ensure the province effectively retains 100 per cent of its offshore revenues—

Then the minister added two big exceptions limiting the offer:

—for an eight-year period covering 2004-05 through 2011-12, subject to the provision that no such additional payments result in the fiscal capacity of the province exceeding that of the province of Ontario in any given year.

The eight year time limit and the Ontario clause effectively gutted the commitment made to the people of Newfoundland and Labrador during the election campaign.

Why should Newfoundland's possibility of achieving levels of prosperity comparable to the rest of Canada be limited to an artificial eight year period? Remember in particular that these are in any case non-renewable resources that will run out. Why is the government so eager to ensure that Newfoundland and Labrador always remain below the economic level of Ontario?

The Ontario clause is unfair and insulting to the people of Newfoundland and Labrador, and its message to that province, to Nova Scotia and to all of Atlantic Canada is absolutely clear. They can only get what they were promised if they agree to remain have not provinces forever. That is absolutely unacceptable.

[*Translation*]

Hon. Stephen Harper (Calgary Southwest, CPC): Everyone in Canada would be happy if one day our Atlantic provinces could fully benefit from their natural resources, everyone except the federal Liberals.

• (1030)

[*English*]

The Liberal attitude is as typical as it is senseless. There is no point pulling back non-renewable resource revenues from a have not province. This is an opportunity and it is a one time opportunity. It is a short term opportunity to allow these provinces to kick-start their economic development, to get out of have not status, to grow this short run opportunity into long run growth and revenue that will be paid back to Ottawa over and over again and that will benefit the people of those regions of Canada for a very long time.

This is what happened in the case of my province of Alberta. Alberta discovered oil and gas in the 1940s and 1950s, Alberta was a have not province. From 1957 until 1965, Alberta received transfers from the equalization program. Alberta was allowed to keep 100% of its oil royalties and there was no federal clawback. This is what allowed Alberta to kick-start its economy, to expand and diversify, to build universities, to advance social services and to become one of the powerhouses of the 21st century Canadian economy.

Of course the Liberals expended endless effort to limit the growth of Alberta's revenues, culminating in the experience of the national energy program. Now we see already, with this opportunity in Atlantic Canada, the same attempts to limit the opportunity. The Prime Minister's Ontario cap effectively limits the maximum benefit of the offshore resource to \$452 per person in the province of Newfoundland and Labrador. After that, every dollar will be clawed back by Ottawa, no matter how many billions the offshore resource turns out to be worth.

The Prime Minister, before he was here, was president of a company that largely depended on offshore activity. Does he not understand that energy resources are finite, temporary and a short term opportunity? The provinces of Newfoundland and Labrador and Nova Scotia should be allowed, indeed should be encouraged, to improve the living conditions of their citizens and to use this to attract new long term businesses to replace the temporary opportunities provided by the offshore resources.

Instead, when the Atlantic provinces rejected the latest federal offers, the caps, the limits and the exclusions, the government engaged in a clumsy divide and conquer tactic, a tactic which gave

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away its obvious objective of holding back the development of the Atlantic provinces. It has tried to negotiate with one province and not the other, but both Newfoundland and Labrador and Nova Scotia have made clear that their positions are the same and that they want to be dealt with fairly and at the same time.

Whether we live in Newfoundland and Labrador, Nova Scotia, Alberta or anywhere else, we are all Canadians. We all have a right to a better future. That future is not for the Liberal Party to decide to speed up or to slow down, to start or to stop. It is not to negotiate. The Prime Minister gave his word. The terms of his proposal were clear. Newfoundland and Labrador and Nova Scotia requested and were promised 100% of their offshore revenues without equalization clawback, period. There is nothing to negotiate.

What is at stake is the future of Atlantic Canada, an unprecedented and historic opportunity for those provinces to get out of the have not status that has bedevilled them for decades. What is at issue is very simple. It is the honour of the Prime Minister, and all he has to do is keep his word.

• (1035)

Hon. John McKay (Parliamentary Secretary to the Minister of Finance, Lib.): Madam Speaker, I listened to the hon. member's speech, which I would describe as somewhat disingenuous. Newfoundland and Labrador, along with all other provinces, receives the Canada health transfer. Newfoundland and Labrador, along with all other provinces, receives the Canada social transfer. Newfoundland and Labrador, along with all other equalization receiving provinces, receives equalization. Newfoundland and Labrador is asking for a special enhancement on its Atlantic accord, all of which we agree with and all of which the Prime Minister has delivered.

The hon. member has failed to answer the question as to why, when those revenues when pooled together achieve Ontario's standard, they should continue on with that. Can he say to the citizens of Ontario and of Alberta that the equalization formula with the Atlantic accord should in fact exceed Ontario's fiscal standard? If he says that for Alberta and Ontario, can he also say that to New Brunswick, which does not have any special arrangement? Can he say that to Quebec as well?

I want to hear from the hon. member as to whether he thinks the setting of an Ontario-wide standard is the appropriate standard so that all provinces in are treated equally.

Hon. Stephen Harper: Madam Speaker, the reason to treat these revenues differently is they are short term and temporary revenues. There has been much academic work done in this area. This is the depletion of a capital asset.

Supply

However, the reality is bigger than that. It is not a technical argument about how equalization should or should not be formatted. It is about the fact that Newfoundland and Labrador has an opportunity. It is in the midst of one of the worst economic declines of a region of the country we have seen in our entire history. Large portions of the province are losing their population. Their economy is disappearing. People are boarding up their houses and moving away. How dare, under these circumstances, that member and the government stand up and try to pit rich parts of the country against Newfoundland and Labrador and play some kind of envy among the provinces.

Frankly, it is not up to me to explain why the Prime Minister is not keeping his word. It is up to the Prime Minister to keep his word.

• (1040)

Hon. Robert Thibault (Parliamentary Secretary to the Minister of Health, Lib.): Madam Speaker, as a Nova Scotian, I applaud my premier for trying to negotiate the best agreement possible for the province. I also recognize the responsibilities of the Prime Minister and the Minister of Health to negotiate the best deal possible for all Canadians.

Nova Scotia already receives 100% of royalties. The problem happens in the equalization formula. The problem is that as Nova Scotia receives the revenues they are calculated within the equalization formula as earned revenue and that reduces the equalization amounts we receive. I prefer we not have that. The Prime Minister and the Minister of Finance understand that and they are negotiating a deal which reduces that. I want that to happen.

I encourage the premier. I support that deal. We have a very good deal on the table now. However, I have to recognize as a Nova Scotian that what extra I get is not available for people from other provinces and the Prime Minister has to represent all Canadians. I support the premier in any improvements he can make to it.

Hon. Stephen Harper: Madam Speaker, I go back. We made a commitment, but more important, the Prime Minister and that member's party made a commitment. The Prime Minister is now trying to get out of that commitment. He has proposed a deal also to Nova Scotia, as well as Newfoundland and Labrador, that makes enormous exceptions and qualifications in terms and conditions to the promise he gave in the election.

I quite frankly say to the hon. member, who I hope wants to do the right thing, that this is not a time for divided loyalties. It is not a time to decide whether one is a Liberal or one is a Nova Scotian. It is time for that member to stand behind his province and his constituents and get everything that is owed to that province by the government.

Mr. Peter MacKay (Central Nova, CPC): Madam Speaker, I am very honoured as a Nova Scotian and as a member of the Conservative Party to take part in what I believe is a critically important debate for the future of our province, for the future of Atlantic Canada and in fact for the best economic future of the country, because it is in everyone's interest, the interest of our entire country, to have the improvements to the economies of Atlantic Canada that we see happening elsewhere in this country.

I want to begin my remarks by congratulating the Leader of the Opposition for the passionate and poignant case he has made before Canadians today in defence of Atlantic Canada. As he has done on

numerous occasions since the House has resumed, whether it be on BSE or on trade issues, issues that affect the lives of Canadians, he has put forward in a very articulate and straightforward way what should happen. That is the type of national leadership we need in this country and I applaud his actions on this file.

There has been a lot of discussion, even early in this debate, about the numbers and how equalization factors into the formula when it comes to the provision of the royalties scheme and the flow that we would see in Atlantic Canada from our own natural resources, mainly oil and gas.

A number of accords and agreements are in place already, signed by previous governments, as alluded to by the Leader of the Opposition, going back to the 1980s when there was a recognition by a Liberal government at that time and subsequently by Brian Mulroney's government that Atlantic Canada and Nova Scotia and Newfoundland in particular were entitled to the same treatment and the same benefits that they would receive from their natural resources as other provinces were, such as Alberta.

There was also a recognition that when an industry is started there is a lag time before those benefits actually begin, as in the province of Alberta, which was permitted to continue to receive equalization. And equalization is just that: it is meant to equalize opportunities, both financial and otherwise, for citizens of that region.

Alberta was permitted to have that industry kick start, to have that exploration that has to take place, the difference being—and I want to highlight this issue—that underground technology, the ability to extract oil from under the ground, is not nearly as expensive as it is to go down hundreds of fathoms in the ocean and extract it from the ocean floor. So there is a parallel here, an important issue, and that is the ability for Nova Scotia and Newfoundland to have that exploration and continue to receive the support of a revenue stream that will allow them to truly develop in the area of offshore oil and gas technology. It costs up to \$100 million in some cases to drill a single well on the ocean floor. Equalization is about giving our region the ability to reach our potential and our future growth.

What we have in this instance is the Prime Minister making a desperate attempt to ameliorate things with voters in that region of the country by promising something that he now is renegeing on, by promising something that was meant to simply buy votes from Atlantic Canadians. Now, in the stark light of day, faced with the reality that he has to keep his promise, he is pulling back. He is putting qualifications in place. He is indicating to Atlantic Canada, "On second thought, I don't think we can do just that".

That is not good enough. That is not the type of deal that can be struck when it comes to the important matter of Atlantic Canada's future.

We in the Conservative Party have been putting forward this issue since the House resumed for this simple reason: we understand fully that Atlantic Canada wants to be a full participant in Confederation. We no longer want to have the status of have not. We no longer want to carry the stigma that our people are not able to attain the same level of success that people in this country in other regions have attained.

This issue is of historic proportions for Atlantic Canada. In the past, we have seen attempts made to put forward what I would describe as “election amnesia”. That is what the government seems to be suffering from today. It is not cognizant of the fact that it is on the record. It has been recorded as to what it put forward to Atlantic Canada. And the only number that counts—not the percentages, not the equalization formula, not the type of rhetoric we are hearing already from the government side—is 100%. One hundred per cent of our revenue.

• (1045)

The Minister of Fisheries, who is from the province of Nova Scotia, said back in September of this year:

The idea of the offshore accord...that we're looking forward to is one that allows each of the provinces to keep 100 per cent of their offshore oil and gas royalties.

This echoes the same words of the Prime Minister.

As well, he went on to say:

I've heard talk of working toward a deal in Newfoundland by the end of the summer, and that sounds like a good time frame for me...

That came from the federal minister of fisheries, who is from Nova Scotia.

Summer has come and gone and now we are faced with a situation where we are seeing the same type of provision, the clawback which is currently in place and takes 81¢ of every dollar generated from our offshore. In the Province of Newfoundland and Labrador, it is more. This results in billions of dollars coming to Ottawa that potentially would go into those regions, coming to Ottawa as opposed to the region that would build for the future and build the economic prosperity of that region. That is the dollar amount which will affect our provinces.

This type of folly, an election fortune that was so important to the Prime Minister, now appears to be falling away because people are realizing that without that true commitment, without the follow-through from the Prime Minister, we will not be able to enjoy that potential.

Therefore, Premier John Hamm of Nova Scotia and Premier Williams are very, very serious about holding the Prime Minister to his very, very serious commitment. That is what we in the official opposition want to see as well. These premiers understand, as does the leader of the opposition, that this issue is principally an issue of people. It would allow people to stay in the region in which they currently live to enjoy the future spinoffs that would come from this industry.

I want to refer to a study put forward by the Canada-Nova Scotia Offshore Petroleum Resources Accord. This study speaks very much to the impact that this would have on a province like Nova Scotia. In 2002, the Greater Halifax Partnership released this study by the Conference Board of Canada on the economic impact this would have on the province. The study predicts a steady rise of employment in Nova Scotia, with the creation of 57,000 additional jobs by the year 2020.

The study goes on to see the growth in the construction, manufacturing, utilities and services sectors. As for rural Nova Scotia, we know there is an increasing divide between rural and

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urban Canada, but the impact of this would be in the construction and manufacturing sectors while growth in the retail and services sector would be almost as pronounced as we see in our capital, Halifax. The study predicts a gain of \$1 billion by 2020 in the construction industry alone.

That is the type of impact this would have. It would allow young people, our best natural resource, to stay at home, our young, educated, motivated Canadians who now have to leave their homes and go elsewhere, sadly, and sometimes out of Canada, to find employment, to find their future. For example, the Leader of the Opposition's roots go back to Atlantic Canada; his family, like many others, left that region to seek a future elsewhere. What Atlantic Canadians want is the ability to stay at home, to contribute to the growth of their own region, which they know and love, with the passion that they feel for their home, for their ground where they grew up.

That is very much tied to the ability of Nova Scotia and Newfoundland and Labrador and in fact all the provinces to benefit from their own natural resource, a non-renewable natural resource as has been pointed out. There is a finite time in which we can truly enjoy the benefits of this. To suggest that we should accept anything less, that we should now accept this qualified clawback of the Prime Minister's commitment, is ludicrous.

Premiers Williams and Hamm will continue to insist that the Prime Minister do what is right, what is fair, what is equitable and what is in the interests of all Canadians: to keep his word and allow the provinces of Nova and Newfoundland and Labrador to attain the same level of economic future and the same type of prosperity that exist elsewhere in this great country of ours.

• (1050)

We will continue on behalf of the official opposition to make that case passionately, with a great deal of support coming from all Canadians. I think that is a concept implicit in this debate. It is one of fairness. It is one that all Canadians respect and understand.

Hon. R. John Efford (Minister of Natural Resources, Lib.): Madam Speaker, in 1985 I was elected for the first time and was on the opposition side from 1985-89, but two of my colleagues opposite were on the government side. I never ever asked a question or made a comment in the House of Assembly in Newfoundland and Labrador that I did not know the answer to. So I am going to ask a question of the hon. member opposite who just gave his speech about the offshore accord.

Could the member tell me, the people of Canada and the people of Newfoundland what the four components are that make up the offer we have on the table for Newfoundland and Nova Scotia?

Mr. Peter MacKay: Madam Speaker, I am not sure where the hon. minister is going with this issue. The only number that matters, the only component of the offer from the Prime Minister, is 100%, and 100% means 100%, 100% of the time. That is it.

Supply

•(1055)

Hon. Gerry Byrne (Parliamentary Secretary to the Minister of Intergovernmental Affairs, Lib.): Madam Speaker, I want to say how all members of the House reflect that this is an extremely serious issue. I, for one, and many, many others are looking to have it resolved. I will approach this from a slightly different point of view. I will take the seriousness and the discussion that has occurred not only over 10 days but over several months and several years since 1985. I will try to raise this to a different level.

A context for a resolution of this must be found. One of the things we have discovered in the last little while is that the devil is sometimes in the details and the angel is in the details as well. In order to provide clarity to all of this, because I think this is why we are in the situation we are in today, the issue here is that the language must be clear. I would simply ask if we can provide some clarity to the language. For the hon. members, the mover, the Leader of the Opposition, the leader of the potential government in waiting, which all leaders of the official opposition are, could we get some clarification that is consistent with what the premier is asking?

I will say this. The issue here is not 100% of provincial offshore oil and gas revenues. Equalization is not oil and gas revenue. It is a public transfer provided through the people of Canada, and of course it is central to the issue that is important to the premier, and the offset formula and the other revenues that flow from it. What is unclear to me is that we are taking a general issue and we are not providing a technical framework to actually enable the ideal to be translated into a deal that fulfills the basic principles.

Would the Leader of the Opposition and the deputy leader actually entertain an amendment—because this could only be done by the mover—to first off provide a full and clear synopsis of the technical parameters which the Conservative Party of Canada would be able to offer the people of Newfoundland and Labrador and Nova Scotia? Furthermore, in the spirit that Premier Danny Williams has shown, would they consider just simply sticking to the issue at hand? The premier has said that he wants to entertain discussions. Can we just stick to the technical issues at hand?

Mr. Peter MacKay: Madam Speaker, clearly the Premier of Newfoundland and Labrador provided this technical detail in his discussions with the Prime Minister. Those discussions took place at that high level four months ago. The problem now is that the Prime Minister is backing away from that commitment.

This debate is not about providing further clarity. This is about shedding light on what the Prime Minister has already committed to. This is about ensuring that the Prime Minister keeps that commitment.

We, very clearly, in our words and actions, support the region and the premiers who are simply looking for the Prime Minister to now deliver on that commitment. This would allow us to get away from scenarios that we see in a province such as Nova Scotia where 43% of the revenues generated in that province go to a single issue, health care.

How are we supposed to deal with infrastructure, education and other important matters if we cannot generate some revenue independent of this sad scenario where we find ourselves now able

to generate revenue but have 81¢ on every dollar generated in that province clawed back by the federal government?

It is a clear issue. The technical detail exists. The Prime Minister promised that 100% of those royalties would go to the province of Nova Scotia and to the province Newfoundland and Labrador. The simple solution is for the Prime Minister to keep his word.

Hon. R. John Efford (Minister of Natural Resources, Lib.): Madam Speaker, I will use the time allotted to me this morning to speak to the people of Newfoundland and Labrador, to stay away from the politics, to stay away—

Mr. James Lunney: Stay away from the politics.

Hon. R. John Efford: Madam Speaker, I never spoke once during the hon. member's speech, nor did I speak during the deputy leader's speech. I would ask for the same respect and the same courtesy.

•(1100)

The Acting Speaker (Hon. Jean Augustine): Order, please. The Minister of Natural Resources.

Hon. R. John Efford: When the hon. opposition leader stood up he tried to promote his feelings toward Newfoundland and Labrador in a passionate way. I think the deputy opposition leader said the same thing.

Let me go back to the June election of this past year and before that when the opposition leader spoke very clearly about the defeatist attitude of Newfoundlanders and Labradorians. Now he is saying that the Prime Minister of the country is not keeping his word.

When I asked the deputy opposition leader to explain the four components of the proposed deal that was on the table for Newfoundland and Nova Scotia, he could not explain them. That is what I find most disturbing about this issue. The proposed deal is on the table. If people disagree with it, then they should know exactly what they disagree with. It is very simple.

Let me explain for members opposite what is on the table. First, Newfoundland and Labrador is receiving 100% of the provincial share of revenues, that includes royalties, corporate tax, personal tax and all other fees having to do with the offshore oil and gas industry. Those things have been there since day one.

Now we add to those revenues, the equalization as well as the offset mechanism clause that was put in the Atlantic accord in 1997, which is that 30% is exempt from equalization forever. That 30% is then added to the provincial share of the royalties and the revenues, which is 47%, and that is added to the equalization.

In the Atlantic accord that was signed in 1987 there was also the 70¢ of every dollar that we have to talk about. From 1999 until 2003 only 7% of that 70¢ was clawed back. In other words, we were receiving 93% up until the end of 2003. In 2004 we did it on a declining formula, where from 2004 to 2011 it will go down to zero. In other words, we will be losing 100% of that 70¢ if the Atlantic accord is not reopened.

The Atlantic accord is under my responsibility as Minister of Natural Resources. The Prime Minister, through the Minister of Finance, has committed to reopen the Atlantic accord which has seven years of life left. It is supposed to terminate in 2011 at which time another accord would be negotiated for the future. However, even though the accord has another seven years left, we have reopened it and added 100% of the provincial share of the royalties and revenues, with equalization of 30% on top of that. Now it is 100% of that 70¢ on top of that. We must clearly understand.

Mr. Norman Doyle: Is there a clawback?

Hon. R. John Efford: No, there is no clawback. Give me a chance to explain.

We have 100% of the provincial share of the revenues. We have the equalization that we are now receiving. We have the 30% in the offset mechanism that is there and is enshrined. Now we have 100% of the 70¢. In other words, all of those combined is 100%.

That is there for eight years, keeping in mind there are seven years left in the offset mechanism in the Atlantic accord. There is one year of grace to renegotiate a deal for the future, if that is necessary. I will get to that in a second. Those four components should and could bring Newfoundland and Labrador up to the Ontario standard. That is a notch above the standard of five provinces, which sets the equalization formula.

I know all Newfoundlanders and Labradorians on both sides of the House and everyone who supports this deal for Newfoundland hope we continue to get more oil. I do not believe the oil and gas will end. I think there are a lot more opportunities out there. I will be an optimist on this, as I always have been. We have a long, bright future ahead of us.

● (1105)

Let us suppose that we strike two or three more wells and our revenues grow. We will still keep 100% of the revenues regardless, the same as Alberta and Ontario, and the revenues will continue to grow. As we go above the threshold set by the equalization formula across Canada, the only thing that will start to depreciate is the equalization payments. The revenues will keep growing as long as revenues continue to go to Newfoundland and Labrador.

If at some point in time the revenues climb up to the same level as Ontario, the five province formula, this will not be worth discussing because we will be self-sufficient and we will not need to receive equalization payments. The Newfoundland minister of finance and I talked about that.

Speaking on behalf of every Newfoundlander and Labradorian, we all have pride. We do not want to be a receiving province. We want to contribute to Canada's economy which is what the equalization formula is based on, to bring all provinces up to a reasonable standard of parity across this country. We have dreamed about that all our lives.

Members say there is a cap. The only cap is on equalization and that will only be capped when revenues start to climb. Let me say this very clearly. Even when the revenues start climbing, that 30% and the 70¢ on the dollar in the offshore mechanism will still stay

Supply

there for eight years. There will be no decline in that for the next eight years even though our revenues would continue to climb.

I am not being critical but I do believe there is a real misunderstanding of what is on the table, which is why I believe that we need to sit down and go through this again. It is very clear that Newfoundland and Labrador will not lose on this deal. What all people want to receive is 100% of their revenues. We are receiving 100% of the revenues and we want continue to receive 100% of the revenues. We also want to continue to receive equalization as long as it is within the standard set down by the country, a standard which makes this country one of the greatest places in the world to live. No one part of Canada should be better off than another part.

As a citizen of Newfoundland and Labrador, I feel very strongly that at some point in time our revenues will climb above the standard and we will become like Ontario and Alberta, proud people contributing to the economy of this great country.

What is on the table is exactly what was committed to by the Prime Minister. I would like to make a couple of points about the letters the premier sent to the Prime Minister.

The one thing the Premier of Newfoundland and Labrador and the Prime Minister agreed to after they had talked on June 5 was to go forward with the deal. There is no argument about that. However, what the Premier of Newfoundland and Labrador said very clearly, and it is on the record and he will not deny it I am sure, was that he would appoint his minister of finance, not the minister of natural resources, Ed Byrne, a good friend of mine. The Prime Minister said that he would appoint his Minister of Finance. If the deal had been completed in June, why would the leader of the Government of Newfoundland and Labrador and the Prime Minister of the Government of Canada say that the finance ministers need to be at the table? It was because they had the basis for a deal. Did they talk about timelines? Absolutely. I can assure members that the premier talked about timelines to me.

● (1110)

Did the Prime Minister talk about a ceiling on how far we could go? Yes, I believe what the Prime Minister said. Nevertheless, the negotiations between ministers of finance had to be on a day to day or week to week basis, either in person or by phone. Negotiations cannot continue in any other way. Do not tell me that they only spoke once after June and no more until the deal was completed. That is not possible. I spoke to the minister of finance of Newfoundland in Ottawa. I spoke to him by phone on several occasions. I spoke to the premier on several occasions.

Supply

Let us go ahead to when the deal was supposed to have been concluded. There is a disagreement. We will not argue about that fact. On the Friday morning, I was briefed by the finance minister on this deal. I believe in it very strongly, otherwise, as a Newfoundland and Labradorian, I would accept it. I am putting my reputation of 20 years on the line, on this deal, because I believe it is the right deal for Newfoundland and Labrador. This is what I understood from that briefing. Our finance minister and the finance minister from Newfoundland and Labrador had concluded their discussions. The Minister of Finance was supposed to go to the Prime Minister with the conclusion of the deal and sign-off. The finance minister of Newfoundland and Labrador was supposed to go back to the premier.

I went home that weekend full of excitement, but not saying a word because it still had to be completed by the two leaders. When I got to Halifax airport, I got the call that the deal had fallen apart. We had agreed not to talk about it on the weekend. On the Monday we would, either by phone or in person, go over what both leaders had said and discuss any problems. That is exactly what happened. Since then, all we have heard is rhetoric. We need to get past that. I will not point fingers at the premier, his minister or anyone else. We will all take full responsibility.

This deal matters to the future of our province. Do all of us want Newfoundland and Labrador to be a have province? Absolutely. We are a very proud people. We are limited to what we can do on our own on the Atlantic coast. We have lost our fisheries. There have been major economic differences and other problems in our province, but now we have a chance. The offshore oil and gas will give us that chance to get there.

Can we break up the equalization formula that has kept the country together and kept all parts of it at a reasonable parity and with a reasonable standard of living? No, we cannot do that. Nobody in their right mind would suggest that we do that. Can Newfoundland and Labrador reach a have province status? Absolutely. This deal will allow it the benefit and the ability to get there.

Let me just reference a deal that was put together back in 1984. I could photocopy this and give it to every member of the House. Jean Chrétien was minister of mines and managed by the Government of Canada. He went to Newfoundland and Labrador and offered almost exactly the same deal in 1984 as is being offered now. I will photocopy it and send it. The government of the day refused it. Then in 1987 that same government signed a deal with another government and accepted 30%. This deal is 100% of the revenues go to Newfoundland and Labrador. That was 20 years ago. Let us add all of the royalties, the revenues and the loss of income since 1984. Let us say it is \$200 million a year: \$200 million times 20 years is \$4 billion.

Mr. Peter MacKay: There were no rigs in 1984. They weren't drilling in 1984.

Hon. R. John Efford: We are talking about royalties and revenues.

Mr. Peter MacKay: What revenues were coming from oil and gas in 1984? You don't know what you're talking about.

Hon. R. John Efford: I will explain it again. In 1984 this deal was on the table. We will be drilling and receiving oil and gas for another hundred years. This will not end in a year. Why did we sign it in 1987 and accept 30%?

Mr. Peter MacKay: There was no reduction in 1987. There was no production in 1987. Get a grip. You're having a brain cramp.

Hon. R. John Efford: The hon. member does not know what he is talking about. With all due respect, the deal was signed in 1987 by the Hon. John Crosbie, the Right Hon. Brian Mulroney and the Premier of Newfoundland, Brian Peckford. My colleagues from the opposite side of the House were there, and I was there when we celebrated in Newfoundland.

•(1115)

Money did not start flowing until 1999, when all the expenses were recovered. I know what I am talking about, unlike the hon. member opposite. The offset clause in the Atlantic accord expires in 2011. That is the reason we have negotiated this, so Newfoundland and Labrador can become a have province, contributing to the economy of Canada and enjoying 100% of its revenues, like Alberta and Ontario.

I am proud to say, speaking on behalf of Newfoundlanders and Labradorians, that is where they want to go.

Mr. Loyola Hearn (St. John's South—Mount Pearl, CPC): Madam Speaker, I would say to the people of Canada, particularly of Newfoundland and Labrador, that the explanation we have just heard is about as clear as drilling mud.

We can understand full well why there is not a deal. The minister who just spoke has no idea what this is all about. He himself just now admitted that he was briefed last Friday. We know that to be true. We know that the Prime Minister had the Minister of Finance handle the deal. The Newfoundland minister of finance also handled the deal.

The Minister of Natural Resources was briefed last week. He went to the province to sell a deal that for the first time, since negotiations started, was put in writing. He referred to the Government of Newfoundland turning down the deal in 1984. Why? Because when the minister at that time, Mr. Chrétien, made the offer, the minister of finance, Mr. Lalonde, and Prime Minister Trudeau would not put it in writing. Does that have a familiar ring? Yes, it does.

Mr. Williams said quite clearly that the agreement which he thought he had negotiated was not in writing. He had absolutely nothing from the government in writing until the Minister of Finance gave the minister a copy of a deal to take to the province and sell it. The premier says that the agreement he thought he had reached did not include a cap or a reference to a fiscal capacity. It did not include any linkage to the fiscal capacity of other provinces. It did not include a timeframe. In fact it specifically excluded it.

However, the deal the Minister of Natural Resources was sent to the province to sell included all of the above.

The minister went to Newfoundland and Labrador and said, "Here is the deal. Do you want it, Mr. Williams? Do you want it Mr. Sullivan? Take it or leave it. There aren't going to be any changes". Does he still stand to that position?

Supply

Hon. R. John Efford: Madam Speaker, let us go back to when I was briefed. It was not last Friday. I was briefed when the negotiations finished between the minister of finance of Newfoundland and the Minister of Finance for Canada, which was on a Thursday. I was called in on Friday morning and given the final briefing on this deal. I went back to Newfoundland and Labrador not to sell the deal. We were not supposed to talk about it because the minister of finance of Newfoundland was supposed to talk to his premier. The Minister of Finance for Canada was supposed to talk to the Prime Minister. Then they would communicate some time over the weekend, and let us assume it was Monday. I said that very clearly.

I also said that I was not to go to Newfoundland and talk about the deal in any manner whatsoever. When I arrived at the Halifax airport, I received calls from my office that the finance minister for Newfoundland was on the news and that the deal had all fallen apart.

Word was given not to discuss it, and that is not the case right now. The issue now is what we should be doing on both sides of the House. If I were making a constructive argument on that side of the House, I would be saying to the Premier of Newfoundland and Labrador to get back down to discussions. Let us see if there is some way we can work out a deal that will satisfy the people of Newfoundland and Labrador so they can be the maximum beneficiaries, as they should be.

I agree with all members of the House, all the people of Newfoundland and Labrador, that we should and will fulfill the Prime Minister's commitment by giving Newfoundlanders and Labradorians 100%.

• (1120)

Mr. Norman Doyle (St. John's East, CPC): Madam Speaker, I am absolutely astounded to hear the Minister of Natural Resources stand in this place today and say that the Premier of Newfoundland and Labrador and the minister of finance for the province of Newfoundland and Labrador really do not understand the deal that the Prime Minister has put before him.

I spent a few years in the house of assembly with the hon. member and he engaged in the same old baffle-gab when he was trying to sidestep an issue or when he was trying to deceive the people of Newfoundland and Labrador. This is what he is trying to do today.

The Prime Minister says we can get 100% only until our provincial fiscal capacity equals that of Ontario. Ontario's fiscal capacity, as the member knows, is based entirely on the performance of its economy. If Newfoundland and Labrador's fiscal capacity were based entirely on the performance of its economy, we would get 100% of our resource revenues indefinitely.

However, here is the key. The Prime Minister has artificially jacked up Newfoundland's fiscal capacity by adding in our current equalization payments and the current offshore revenues that we receive. That puts us artificially close to Ontario's fiscal capacity. Therefore, it takes only modest gains in oil revenues to reach the Ontario threshold at which time the clawback provisions of the equalization act kick in again.

Does the Minister of Natural Resources actually think he is fooling anyone by this constant baffle-gab? I ask the minister to stand

on his feet and explain to us today Ontario's fiscal capacity versus Newfoundland and Labrador's fiscal capacity, and if the clawback will kick in at that time.

Hon. R. John Efford: Madam Speaker, it is unbecoming of my colleague opposite to be using that language. I have never used it toward him in all my political career, and we have had some discussions.

Let us talk about the misunderstanding. The Premier of Newfoundland and Labrador said himself that there had to be some misunderstanding around this deal.

Let us get to the fiscal capacity of Ontario. First, we will receive, and are receiving today, 100% of the revenues. We will receive the equalization. We will receive the 30% on top of that. We will receive 100% of the 70¢, which 70¢ and 30¢ makes \$1, on top of that. That will not change. That brings it up to the level of Ontario. Only when our revenue starts increasing above that, will we start losing on equalization. Until then, equalization will not be lifted. If that does not change within the next eight years, nothing changes. If our revenue grows beyond the 100% we are receiving now, we would still receive that and we would receive it until it reached wherever the limits would go, like Ontario or in particular, Alberta.

The hon. members opposite do not understand the formula.

Hon. Gerry Byrne (Parliamentary Secretary to the Minister of Intergovernmental Affairs, Lib.): Madam Speaker, during the course of the debate on this issue, not just in the House, but for the past many days, weeks, months and years, there has been a coalition of very solid, sound people who have stood forward to promote good public policy. Unfortunately, there has also been a very small contingent that has seen fit to try to seize political opportunity. I am not seeing that in this House, and this is a very big room with very big people.

Notwithstanding the preamble to this motion, because as someone who understands and respects what position he is in and others are in, I want to get to the heart of the issue to find out the intentions of the Minister of Natural Resources. As for part B of the question, I ask him to answer a simple question, yea or nay. If the motion were simply "that the federal government immediately implement the pledges of June 5 and 27 and allow the provinces of Newfoundland and Labrador and Nova Scotia to keep 100% of their provincial offshore oil and gas revenues", if it were that succinct and clear in form, would he vote for it, yes or no, why or why not?

• (1125)

Hon. R. John Efford: Madam Speaker, as a Newfoundland and Labradorian, I would do nothing less. Absolutely yes, I would vote for it.

Mr. Peter MacKay (Central Nova, CPC): Madam Speaker, I will ask a very short, specific question of the member opposite.

With respect to this current deal, the understanding is that yes, there is a fiscal capacity element but it is for future production. Upon completion of Hibernia, if there are other gas fields in Newfoundland and Labrador, similarly in Nova Scotia where Deep Panuke comes in, will the clawback then kick in and apply to those new gas production fields off the coasts of Newfoundland and Labrador and Nova Scotia?

Supply

Hon. R. John Efford: Madam Speaker, let me say what I know about the Newfoundland and Labrador deal. In Newfoundland and Labrador, one oil well will be coming into production next year, White Rose. That is included in this deal. That will give Newfoundland additional revenues and royalties, all the same things it is receiving from Terra Nova and Hibernia.

[*Translation*]

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ): Madam Speaker, I thank the Conservative Party of Canada for providing us with this opportunity to discuss fiscal relations between the federal and provincial governments. This is an important issue.

As members know, with the cooperation of the other two opposition parties, to which we are grateful, we launched the debate on what we call the fiscal imbalance. The federal government did not want to recognize the existence of an imbalance, but it is becoming increasingly part of the parliamentary culture. A special committee was even set up, with the support of the parties, following a motion by the Bloc Québécois, which I had the honour of presenting.

That motion called for the establishment of a special committee on fiscal imbalance. The committee must report by June 2 of next year on this whole situation, whereby the federal government has way too much money in its coffers, in light of its responsibilities, while provincial governments, including the Quebec government, do not have enough tax resources and tax room to fund public needs and priorities. These include health, education, income support for the poor, social housing and others.

We understand the outrage of the people of Newfoundland and Labrador, and of Nova Scotia. We sympathize with them. We also share the frustration of the premier of Newfoundland and Labrador, and we understand it. I think that an increasing number of Canadian provinces understand the frustration felt periodically by Quebec, because the federal government is not fulfilling its commitments. We have experienced that on many occasions with the Liberal Party of Canada, regarding the numerous promises and commitments made by the government, and it has left a sour taste in our mouths.

However, we feel that the motion of the Conservative Party is not the solution to achieve greater harmony in fiscal relations between the federal and provincial governments. It could even create more unfairness and more injustice than the problem that it seeks to correct for Newfoundland and Labrador and for Nova Scotia.

What is the situation? The whole debate is on equalization. In fact, what little was said during the election campaign on this issue dealt with as to whether, despite the oil revenues of Newfoundland and Labrador, the payments received by that province would be reduced under the equalization formula. Newfoundland and Labrador wanted the assurance that even if oil royalties were to increase in the future, this would not impact on the equalization payments that the province is getting.

Of course, a prime minister who is on the ropes, who fears that power is slipping out of his grasp, is ready to promise anything at all. That is what the Prime Minister did during the election campaign. His words were in the newspapers and on television. He promised that the issue of royalties would not affect the equalization payments of Newfoundland and Labrador and Nova Scotia.

He made that promise. He made a series of promises; he was casting them in all directions, and found himself empty-handed at the first ministers conference where he could not keep his word.

The problem, fundamentally, is the issue of equalization. We must understand what equalization is, and what it involves. We must understand what a negative effect a motion like this one by the Conservatives could have on the whole system, if the government were to implement it.

First of all, what is equalization? Equalization is the only program enshrined in the Constitution. It is the only income redistribution program that—since 1982—has been part of the Constitution. What equalization means is simply this: to ensure that, from sea to sea, provincial governments have sufficient revenues to provide reasonably comparable levels of public services at reasonably comparable levels of taxation.

This means that the richer provinces contribute, through the federal government, to lessening the disparities that may exist between themselves and the poorer provinces. The essence of equalization is to reduce these disparities and inequalities in order to better serve the population.

There is no other way to look at equalization. But now there is talk of differentiated equalization, in which the royalties obtained by a province would be set aside.

• (1130)

This would mean carrying on business as usual with an equalization formula that does not take into account this source of income, changing the very essence of equalization and creating the type of inequity that a constitutionalized equalization program is designed to correct. I repeat, this program is one of a kind.

How is equalization evaluated? The amount of money that each Canadian province is able to raise from taxpayers in the form of income tax, corporate tax, various other taxes like sales tax and property tax, revenue from natural resources in areas such as mining, hydro power and oil, is determined. Based on this, the fiscal capacity of each province, their respective ability to generate revenue from various categories of activities and taxpayers, is evaluated. Each province is evaluated using the same tax base, that is to say, the same revenue items. On the basis of this evaluation and of a standard corresponding to the average capacity of five out of ten Canadian provinces, it is determined whether or not a given province is entitled to equalization payments.

If a province is very rich and has a potential for revenue equal to the five province average, it will not be entitled to equalization. But a province whose capacity is lower than the five province average capacity to raise revenue from the taxpayers will receive equalization payments of an amount equal basically to the difference between the revenue it can raise per capita and the average of this per capita revenue for the five provinces used for calculation purposes. That is the amount that will be transferred to Quebec, Newfoundland and Labrador and other provinces.

For this plan to work, as I mentioned earlier, the same tax base absolutely must be used for each province. In other words, the same revenues have to be calculated for each province. This brings us to the Conservative Party motion. The Prime Minister made a promise during the election campaign that he did not keep, like so many of his promises—but we will come back to that later. The situation has changed. A source of revenue has just been taken out of the equalization formula that applies specifically to Newfoundland and Labrador. As a result, in calculating the fiscal capacity of Newfoundland and Labrador and comparing it to that of Quebec or Ontario we are no longer comparing the same thing since we do not have the whole picture.

Through an ad hoc agreement, we are creating unfairness right from the start. A mockery has been made of the spirit and the letter of the equalization program. We are no longer talking about equalization at all since differential treatment exists. An injustice has just been created.

What would justify taking away oil revenues from the tax base equalization calculation, which represents the fiscal capacity of each province, but leaving the revenues generated by hydroelectricity, for example? That is what the Conservative Party proposal is getting at. In Quebec, what right would they have to keep in the equalization formula things like income tax, corporate tax and so forth, including the dividends paid by Hydro Quebec to the Government of Quebec, while next door, in Newfoundland and Labrador, they would take away the oil royalties paid to the government of that province?

• (1135)

There is something inequitable here as well as a travesty of the equalization formula, and results in treatment that is unjust compared with that of the other provinces of Canada.

This would seem to be like giving a kind of premium to the oil-producing provinces, or in other words a premium for non-renewable resources, one paid for by the provinces that produce clean energy, renewable energy. Sort of like Hydro-Québec subsidizing oil exploration in Newfoundland and Labrador.

There is something rather illogical about all this debate, which creates a link between the particular needs of Newfoundland and Labrador and an equalization formula, which today's motion totally distorts. Either there is equalization in Canada, or there is no longer equalization in Canada.

This being a program enshrined in the Constitution and one of the principles of fiscal federalism, proposed in 1947, if I remember correctly by the Rowell-Sirois Commission, which addressed fiscal federalism, redistribution of wealth, and equitable treatment, for example for both east and west, I think that it would be worthwhile maintaining it.

However, if we want to look at reforming equalization, there are ways of doing so. There have been discussions on this for close to a dozen years, federal-provincial conferences, meetings between civil servants. No one knows where we are at now, because there are 33 variables in this pesky formula. There are all sorts of ins and outs, ups and downs. As the saying goes, why make something simple when you can make it complicated? One might say the equalization

Supply

formula has evolved this way over the years. There has been talk of correcting it for 12 years, but no success. There are ways, however.

I would like to point out three problems that exist at present.

At the beginning of my remarks, I explained that an average is taken of the revenues of five provinces. This five-province average is used as a standard to determine whether or not a province should receive equalization payments. The potential tax revenues of Ontario, Quebec, British Columbia, Saskatchewan and Manitoba are taken and added together and then divided by five. It is a simple arithmetical average. Then the potential revenue of each province is compared to this five-province average, and the provinces with revenues less than the average are entitled to equalization payments.

Still, what is the logic behind it? Only five provinces are used in this exercise, but there are 10 provinces in Canada, and the territories, of course, but equalization only counts the provinces. Why take five provinces and not all ten? It would be a much more representative, Canada-wide standard of wealth than taking only five provinces. A number of the recipient provinces have been asking for this modification for a long time. It would give a much more accurate picture of each province's ability to generate tax revenues.

Why too are revenues not measured correctly? As I said, why make it simple, when you can make it complicated? This is a case where the economists at Statistics Canada and the Department of Finance have shown true originality in recent years to do intellectual backflips lending at econometric heights that are so difficult and so technically complex that the ordinary person is quite discouraged.

Why not, for example, evaluate the actual real estate taxes in Quebec and in the other provinces? Well, no; they used what is called in economic analysis a "guesstimate". I would not want to speak ill of economic analysis; that would be shooting myself in the foot and cheering for the other side, but there are things we do well and things we do not do so well, and this is one we do not do well.

Therefore, they use what is called a "guesstimate", which is an estimate of the potential real property taxes each province could raise, even though it is easy, by simply looking in a Statistics Canada catalogue, to find the real value of property taxes in Quebec, Ontario, or anywhere.

• (1140)

That correction alone would change the whole thing and would provide an accurate picture.

I will just give one example regarding property taxes. Based on these guesstimates or approximations that are so convoluted and technical that they are beyond most people's comprehension, in Quebec, the per capita real estate wealth is a surprising \$71,406. This is the assessment of the per capital real estate wealth, as calculated under the equalization formula. However, the actual wealth figure for 2002 is around \$30,621. So, the amount calculated is more than twice the actual figure. Do members see my point?

Supply

This has the effect of increasing Quebec's fiscal capacity. Moreover, the difference between Quebec's capacity and the five province average is inaccurate, because revenues are artificially inflated. The fiscal capacity in terms of property taxes is the figure I mentioned, the real capacity. However, under the formula, this capacity is more than double the actual figure.

There is also the unpredictability factor. We have been talking about it for years. It is not normal to be told, "Over the past three years, you received overpayments totalling \$800 million. You must repay that money". In fact, all the provinces would have to give back money. We doubt that Saskatchewan had to repay its \$590 million, but we will get back to this later on. We are taking a close look at the issue.

In my view, Quebec is being pushed to pay back its \$1.2 billion equalization overpayment. Reimbursement can be made over 10 years. How nice. Nonetheless—this is where we have our doubts—how come Saskatchewan, which owes \$590 million to the federal government because of an equalization overpayment, would appear not to have to pay and may have its debt forgiven?

The amounts fluctuate from year to year. One year equalization might be positive: an additional \$400 million. The following year it could be a whole different story. Two years ago an overpayment was made because our income tax estimate changed and GDP growth also differed from our estimates. It constantly varies like that. There are ways to correct this.

If all these major discrepancies—and a few others that I will not get into—were corrected, Newfoundland and Labrador alone would receive an additional \$168 million in equalization payments for 2004-05. Simply correcting equalization would give it \$168 million more. Nova Scotia would get an additional \$291 million. I am talking about a lot of money: some \$323 more per capita for Newfoundland and Labrador and \$311 more per capita for 2004-05 for Nova Scotia.

No injustice or preferential treatment would result. The spirit and the letter of the equalization formula would not be distorted. By correcting the positive aspects of equalization and the imperfections I just described, additional money could be given to Newfoundland and Labrador and Nova Scotia. It is a question of the equalization formula and maintaining the spirit and the letter of equalization.

During the election campaign, we read the agenda of the Conservative Party of Canada. It was very clear. For this reason, we are worried about this going beyond excluding the oil revenues of Nova Scotia and Newfoundland and Labrador.

The Conservative agenda states that non-renewable resource revenues should be excluded from the equalization formula. Would that apply across Canada and would that mean that supporting a motion such as this would basically open the floodgates even further and keep potential hydroelectricity revenues in the formula, as I mentioned earlier? It makes no sense.

We want to change the equalization formula. We are prepared to work with all the parties in this House, but, for the reasons I just mentioned, we cannot support this motion.

• (1145)

[*English*]

Hon. John McKay (Parliamentary Secretary to the Minister of Finance, Lib.): Madam Speaker, I listened to the hon. member's speech and thought it was actually quite an interesting discourse on the vagaries of the equalization formula. I do not dispute with him that it picks up some unintended consequences and some disparities that are almost a necessary by-product of formularization. I would agree with him that when we are using 33 standards across 10 provinces and 3 territories, we are going to have a degree of complexity which would cross the eyes of a rabbi.

Having said that, that is not what this debate is about. This debate is about whether Newfoundland and Labrador in particular, and Nova Scotia as well, should continue to receive equalization payments while their revenues generated from offshore funding sources are continuing to come up. The issue is whether they would in fact achieve an Ontario standard which is really beyond the five province standard.

I take it, therefore, from the hon. member's comments that he will not find himself able to support this motion before the House today because it will create another level of inequity, another level of complexity and discrepancy in that we will have one or two provinces which have particular arrangements with the federal government which will in effect entitle them to moneys beyond the Ontario standard.

Does the hon. member feel that this is appropriate in the case of Quebec?

[*Translation*]

Mr. Yvan Loubier: Madam Speaker, the parliamentary secretary got part of our message. As far as the conclusion is concerned, I agree with him: we cannot support this motion. In fact, I have repeated it often enough that it should have been pretty obvious.

Our point is that equalization is designed to help those provinces with a capacity to raise revenue through taxes lower than that of other provinces. From the moment that a province reaches a level of wealth allowing it to catch up to the standard, currently a five province standard, it should no longer be entitled to equalization payments.

Do not think that Quebec is proud of receiving equalization payments. I can tell the hon. members that, the day Quebec's tax capacity is strong enough to do without equalization, we will all be very relieved and we will celebrate. It is not fun to receive equalization payments. We are happy that such a program exists, but it is no fun to know that our tax capacity is lower than the five province average.

We would far prefer it if the federal government would provide Quebec with equitable treatment in its structural spending, in R and D, in the purchase of goods and services on Quebec territory, and in the operation of major research laboratories. There is one on the Outaouais side, and all the others are on the Ottawa side. We would also like equity as far as the number of public servants on the Quebec side. If just all those items I have mentioned were adjusted to reflect the demographic weight of Quebec, 40,000 public service jobs could be created in Quebec tomorrow morning. Then perhaps we would not need to bother about equalization. If we had the same treatment per capita that Ontario does as far as structural spending is concerned, we would long ago have exceeded Ontario's fiscal capacity and performance. In six of the past eight years, Quebec's economic growth was, moreover, higher than Ontario's.

I would like to add that we are in the present situation because, during the election campaign, when the Prime Minister was on the ropes and did not know how to avoid losing, he went around making commitments all over the place, knowing full well that he could not meet them. So this is the situation we find ourselves in today. There are others I could mention as well. A ton of impossible promises were made and will not be kept in the years to come. That is what happens when people say anything at all with no intention of keeping their word.

• (1150)

[English]

Mr. Gary Schellenberger (Perth—Wellington, CPC): Madam Speaker, I have been listening very intently to the hon. member. I have a simple question but I must elaborate a bit before I ask it.

I have seen the government involvement with affordable housing in my riding in the County of Perth. We were allotted \$2.5 million for affordable housing. Then we looked a little deeper into some of the clauses. This was for 100 units and they had to be sustainable for 20 years. When the whole package was put together, the 100 units were not affordable for the community to accept that \$2.5 million.

Sometimes the government says one thing and then when it adds some clauses, the government makes it complicated. The more complicated it gets, the money is clawed back or the deal cannot be accepted. That is what happened to our municipality with respect to affordable housing. We could not accept the \$2.5 million that was allotted to us and we did not get any units.

It seemed to me that the promise made by the Prime Minister was a very simple one, 100% of the royalties. I do not care about the equalization payments. That was not what was said at that particular time. That is a whole other issue than what we are dealing with today.

Does the member feel that the promise made by the Prime Minister of 100% of the royalties for Newfoundland and Labrador and Nova Scotia should be honoured by the Prime Minister?

[Translation]

Mr. Yvan Loubier: Madam Speaker, I thank my colleague for his question. We have to refer to the substance of what the Premier of Newfoundland and Labrador said and look back to the election campaign.

Supply

According to the Premier of Newfoundland and Labrador, the promise made by the outgoing Prime Minister of Canada, that is the current Prime Minister, was the same he had made during the election campaign. That was a rather straightforward promise.

On the telephone, the Premier of Newfoundland and Labrador had received the assurance of the Prime Minister and member for LaSalle—Émard that his province would not be penalized in terms of equalization, in spite of the royalties. That is why the Premier of Newfoundland and Labrador expressed outrage.

That is how we have looked at his remarks. We sympathize with the outrage of the Premier of Newfoundland and Labrador, especially given the totally arrogant and somewhat lofty attitude of the people across the way. We in Quebec are used to it because that is the attitude they have had with us for eons. They think they have a monopoly on the truth, and make all sorts of commitments they cannot meet.

My colleague was speaking earlier about social housing. It is true that it has been a long time. Since 1989 the current Prime Minister has been saying it is important to have social housing. Since 1993 they have not put one cent into the construction of social housing. Money has been put into maintaining existing stocks.

And it is the same for tax fairness. We have been talking about it since 1989. We have quotes from the Prime Minister saying that it was not right that people in a certain tax bracket did not pay income taxes because they could take advantage of tax havens. He was indignant about this practice. And what is the Prime Minister doing now? He has a family firm in Barbados. In 1998 he introduced a bill himself, C-28, which enabled him to avoid paying \$100 million in income taxes in Canada.

This is the same man who talks out of both sides of his mouth. He did the same thing with Newfoundland and Labrador and he has done the same thing on many issues. When people speak disparagingly about the credibility of politicians, it is because this kind of people do pretty much the opposite of what they say in election campaigns. They make promises that they do not keep, unless they are made in writing or in front of witnesses.

It is serious and it is bad for everyone, for all members of Parliament and for the credibility of the democratic process. We should be angry with them; not only for Newfoundland and Labrador, which has been treated arrogantly and in cavalier fashion, but also for the negative effect they create in the public as to the credibility of the parliamentary process and the democratic process, too.

• (1155)

[English]

Mr. Jack Layton (Toronto—Danforth, NDP): Madam Speaker, I am pleased to participate in this debate. The New Democratic Party of Canada is pleased to read into the record the commitment that we made to Premier Williams in the run-up to the last election.

Supply

The premier had requested the party leaders to respond in writing to the situation facing Newfoundland and Labrador, and we were very pleased to respond. We may very well have been the first to respond. I simply want to read into the official record what we said at the time. It is a position that we continue to hold today:

The NDP supports Newfoundland and Labrador receiving 100% of its offshore oil and gas revenues to make it the 'principal beneficiary' of these resources based on the principles set forth in the Atlantic Accord. As I will repeat later in this letter, this view is part and parcel of the NDP's strong view that Canada needs a national energy strategy that not only corrects such fiscal imbalances regarding resource extraction, but also best positions our country for a future under the Kyoto Protocol and beyond.

Certainly, the people of Newfoundland and Labrador should have an ownership stake in offshore oil and gas developments as equity partners. We would expect that an ownership stake would be a pre-condition of all future developments. The Government of Canada, as an equity partner in Hibernia, has already recouped its investment and should transfer its 8.5% equity share of the Hibernia project to the Province.

We were the only party to make that commitment. We were responding to the very persuasive arguments put forward by the leader of the New Democratic Party in Newfoundland and Labrador, Jack Harris.

When it comes to equalization, I will quote further from our letter dated April 25 to the Premier of Newfoundland and Labrador:

Newfoundland and Labrador has the lowest personal per capita income, the highest unemployment rate, and the lowest labour participation rate in Canada. Federal government transfers to the province are shrinking. The NDP supports a renewed equalization formula that is based on a ten-province standard that would increase fairness and provide for greater equality across Canada.

The elimination of Established Program Financing and the Canada Assistance Plan was extremely destructive to health care, post-secondary education and social service programs across the country and has led to greater inequality between individuals and provinces. We agree that restoring transfers to the 1994-95 levels, adjusted for inflation, would be an extremely important step in restoring federal funding to these important national objectives.

There are a couple of aspects of this position which I would like to speak about today. First of all is the importance of making a commitment and then sticking to it after we have asked the voters to judge us on the basis of what we promised. That is why we put our commitment in writing in detail.

The people of Newfoundland and Labrador in particular have a reason to be skeptical about the positions taken by national leaders, particularly given the experience of the last number of years under the Liberal government. All kinds of promises were made at election time, then only to be broken. We have seen a list of broken promises from the Liberal Party which is so long that if we were to try to enumerate them, it would consume not only the remainder of my speaking time but probably the speaking time of most other members in this debate today.

What we are speaking about today is a broken promise, a promise made in the desperate rush to try to secure votes by the Prime Minister during the election, a promise to which he did not commit in writing, despite the request of the premier for him to put his commitment in writing. We now see why the commitment was never made in writing. There was never any intention to follow through. There was an intention to leave the impression that the Prime Minister was making the same commitment that, for example, our party was making, so that the voters would be confused or lulled into a false sense of security that if only the big red machine were elected, the various commitments made in the election would be honoured.

In fact what we have seen here is a case of false advertising of the worst and most disgusting kind. It elevated the hopes of people with the lowest incomes, people who are dealing with desperate situations, a province which is struggling with a huge financial challenge with the resources that are unavailable to some other provinces.

● (1200)

It elevated their hopes so that they would cast a ballot hoping that there would finally be some redress for their province and that they would finally be able to secure some of the benefits from the resources that lay offshore. A tragic slap in the face has been administered to them for the trust that they offered in the election with their votes. That in many ways is the most egregious element of the issue we are discussing today.

On the question of equalization, I spoke this morning with Jack Harris, the leader of the New Democratic Party in Newfoundland and Labrador. He made a number of very simple and straightforward points. He told me that if Newfoundland and Labrador were ever to be able to achieve or exceed the five province average or any other multi-province average for this federation, there would be dancing in the streets in Newfoundland and Labrador.

There is this notion that somehow we have to protect ourselves against the eventuality a number of years down the road that Newfoundland and Labrador would suddenly be wallowing in billions of dollars of resources and would simply sit on it and never even consider the issue of equalization adjustments in the future. That Newfoundland and Labrador would never participate in any discussions and would adopt some sort of arrogant attitude with regard to that is completely inconsistent with what we know about the people of Newfoundland and Labrador, their community spirit and their desire to play a role in Canada. Frankly, it stands as an insult. It is a profound insult particularly taken against the fact that they were made a promise and now that promise is being broken.

No wonder there is anger among the communities right across Newfoundland and Labrador today as we debate this matter. They are simply looking for fairness and justice and to be a full part of this federation in every way, so that the quality of life of their children and seniors can be addressed in the same way as it is addressed elsewhere in the country. Right now that is denied and all the evidence points to that fact.

What we need to do in Parliament is address inequalities that exist in our country. We need to take a look at the nature and extent of those inequalities and propose solutions. That is what we in the New Democratic Party did. We sat down and looked at the situation being faced by Newfoundland and Labrador. We looked at its resources. Just by virtue of the fact that they are offshore, the federal government is able to take 70% of the royalty revenue from those resources. What is fair about that?

Elsewhere in Canada if the resources are underneath the land mass, of course there is a much more significant revenue flow. It is for that reason the Atlantic accord was put together: to recognize these geographical facts and to try to insert some level of justice that could also allow us to achieve greater levels of equality in our country. That is why there was a fundamental commitment to shift the way in which those resource allocations were going to be made.

The premier and all of the parties at the time, in fact the whole population of Newfoundland and Labrador, called on those of us who were running for election to make a commitment. The premier wanted us to make our position absolutely crystal clear as to whether we were going to honour the needs and obligations that we have in a federation that is going to have some level of fairness associated with it. The consequence was that we put our commitments in writing and made them absolutely clear.

Voting for the motion today is one way in which we can acknowledge that we were serious when we made these commitments. We have full confidence that once those resource revenues start to flow, and we hope they start to flow soon to restore some hope to those communities, there will be a transformation in Newfoundland and Labrador. Then the can do attitude of the people of Newfoundland and Labrador will be unleashed because finally they will have available to them some of the resources from the natural wealth that lies offshore beneath the ocean.

They have been denied their way of life by virtue of the collapse of the cod stocks. We know that the people of Newfoundland and Labrador have been struggling with enormous adversities. We have a chance to right the balance. The question is, are we going to do it? Are we going to make a statement? Are we going to put pressure on the promise breaking government to do the right thing?

•(1205)

Our party will be standing with the people of Newfoundland and Labrador, saying that it is time for justice. It is time for some equality and it is time for promises to be honoured. That is where the New Democratic Party of Canada stands.

Let me address in a little more detail the issue concerning the whole question of the relationship between resource revenues, royalties, taxes, et cetera. I do not think it has been communicated well enough that even after this so-called 100% situation is fully rectified, the federal government will still be receiving enormous revenues from the oil and gas fiscal situation by virtue of corporate taxation.

According to Mr. Harris, the leader of the New Democratic Party in Newfoundland and Labrador, fully 53% of all revenues generated by the offshore, even after the 100% is guaranteed, will actually arrive at Ottawa's door.

Let us not try to pretend that somehow the federal government or the people of Canada would not be adequately protected or would not share in the revenues coming from Newfoundland and Labrador. The people of Newfoundland and Labrador are doing nothing more than asking for a fair share. Our position is that they are entitled to that fair share.

If we take a close look at the conditions of life in Newfoundland and Labrador right now, we would see that by most indicators the communities and individuals are struggling. The province is losing its young people. It is in deficit. It has a very large debt by comparison with its population. Surely the idea that some day there might be enough revenue that the province could actually address these issues should not be used as an excuse to not even provide it with the revenues in the first place. That is essentially the line of argument that we are hearing.

Supply

It is time that we took a look at problems that exist today and the solutions that are available today and that we are committed to, instead of looking off into the future and imagining scenarios that might or might not unfold and assume that no Parliament or group of provinces sitting down with goodwill in the future, if there were changed circumstances, could sort things out. That is a very pessimistic strategy that does not solve problems. We have problems right now that need to be addressed.

In closing, it is time for us, first, to honour the commitments that we made. The Prime Minister is in the process of breaking his promise. That is not acceptable. It is time for us to honour the right of Newfoundlanders and Labradorians to have a fair share of their offshore revenues so that they can build the kind of community in society that they have been desperately yearning to do and they will have that capacity if we provide them with the resources that are rightfully theirs.

•(1210)

Hon. Gerry Byrne (Parliamentary Secretary to the Minister of Intergovernmental Affairs, Lib.): Madam Speaker, I have spent countless hours, days and weeks trying to coalesce a coalition to develop a consensus around this issue to get broad based support for the principles behind something which I think is essential. It concerns the economy of Newfoundland and Labrador in terms of its opportunities, but also in terms of its needs.

One of the things that we have learned in this House in a very short session of Parliament so far is that these motions have impact. These motions are gauged and judged by the words that make them up.

We have seen in this House already some contentious motions put forward about the fiscal circumstances and transfers in our country. In fact, one of the very first motions to come forward was put forward by the Bloc Quebecois and was perceived to give certain preference, during the course of the equalization conference, to one province over the other. I am not going to judge or prejudge that, but many premiers had a very specific point of view about that. They felt that the language of the motion put them at a disadvantage.

One of the things that I know about this, and the leader of the opposition will agree, is that this motion calls on the federal government to immediately implement its pledges and to allow the provinces of Newfoundland and Labrador and Nova Scotia to keep 100% of their provincial offshore oil and gas revenues.

As I said earlier, the details of this are very important. The wording of motions is not without consequence and is not mundane. The wording is very important. We have heard in this House from the Minister of Natural Resources and others that currently Newfoundland and Labrador keeps 100% of its provincial offshore oil and gas revenues.

Would the leader of the NDP agree to and support, and help develop an amendment with the mover to actually articulate the technical language that is required to enact the Premier of Newfoundland and Labrador's wishes?

Supply

If there were an economist or a public policy analyst that would come forward, the very intelligent people of Newfoundland and Labrador would attest to this because they have been following this for quite some time. They know that this language is not fully subscribing to what is required in that equalization is not an offshore oil and gas revenue. It is a transfer from the federal government to the provinces. Equalization is a transfer and is not encompassed in the provincial offshore oil and gas revenue scheme. Therefore, if we were to define this after the fact, we could come to the conclusion that this actually does not necessarily fulfill the wishes of the provinces of Newfoundland and Labrador and Nova Scotia.

What we really need to do, and I think the hon. member would agree with me, is to clarify the centrepiece of the issue here in that there is a disagreement on technical language and what that language means. I want to clarify that. I want to get to the root of this. I want to put forward a very clear, succinct and straightforward principle which honours the commitment, and actually enacts and does that which was intended, not only through the accord but through other commitments. Will the hon. member assist me in doing that?

• (1215)

Mr. Jack Layton: Madam Speaker, it appears to me that the question is actually asking the members of the opposition to do the work that the government is supposed to have done. Where has the government been since the Prime Minister made the promise to the people of Newfoundland and Labrador?

It is now being suggested that we should develop the technical language so as to give effect to the proposals. What was going on during the months of July, August, September and October? What was the government up to during that period? Taking a holiday and contemplating which promises it was going to be able to break?

This is a completely unacceptable proposition. It is being suggested to the members of the opposition, who intend to support the motion, that we should be sitting down and revising the motion to come up with the technical wording, so as to do the job that the government was supposed to be doing.

It is very clear that the government had no intention of honouring its promise. The Prime Minister had no intention of honouring that promise. If he had, he would have put it in writing.

It is clear that the Leader of the Liberal Party at the time and now the Prime Minister was simply prepared to say whatever it took to secure votes and then did absolutely nothing in order to put together the kind of proposal in detailed, technical language that would have given effect to that promise. The consequence was that a premier felt that an entire population of a province had been slapped in the face. We share that view; we have the same analysis.

As it happens, the cap that has been proposed in the government's offer to the people of Newfoundland and Labrador will cost in this upcoming year \$100 million in forgone revenue to the people of that province. By the year 2007, it will be \$600 million.

If the House were to ask what is my source for that information, I would refer members to any one of the political parties in the province of Newfoundland and Labrador. They will provide exactly the same analysis. I happen to have received mine from Jack Harris,

the Leader of the New Democratic Party in Newfoundland and Labrador.

I have received a lot more time for a three party consensus analysis of the impact of this from the people of Newfoundland and Labrador than I have from the government. The government has not presented any details. It has not even operated with what could be described as a modest amount of good faith. We have simply seen inaction, dragging feet, broken promises, and the unfair treatment of the people of that province, and we should add Nova Scotia as well, as the hon. member did in his question to me.

It is frankly the kind of strategy and behaviour on the part of the government that causes many people to lose faith all together. They really begin to lose faith in the political process when they see fundamental promises broken time and time again: promises on child care, broken for 11 years; promises on stopping the privatization of our health care and then doing absolutely nothing about it; advertising campaigns launched so that people would vote for the Liberals in order to avoid a George Bush agenda, and then we find discussions about implementing missile defence; and breaking all of the promises once again. It is a non-stop list. We could add Kyoto and the protocol to reduce emissions which is another broken promise. The list is so long that I am not going to consume the time of the House of Commons.

It is important that we move toward a vote on this issue and show the people of Newfoundland and Labrador that there are at least some members of the House of Commons, and the New Democratic Party members stand proudly among them, who are ready to honour the commitments that were made during the election because that is a fundamental element of a well-functioning democracy.

Mr. Loyola Hearn (St. John's South—Mount Pearl, CPC): Madam Speaker, I know time is short so I have just a brief question for the hon. member.

Let me thank the hon. member on behalf of the people of Newfoundland and Labrador for standing up for our province and for coming to our province and making a commitment. Along those lines, I would like to ask him a question. He was expected to put his commitment in writing, which he did. Our leader was expected to put his commitment to the province in writing, which he did. In the view of the leader of the NDP, why is it that the Prime Minister did not or would not put his commitment in writing?

This I ask particularly in light of the fact that just a week ago, after a long period of negotiations, discussions and commitments, the Minister of Finance gave what he knows is a half-hearted offer to the province, which has been rejected but was pushed by the Minister of Natural Resources with a take it or leave it comment. As the member has outlined, the effect would be disastrous for our province.

Why the discrepancy in what he was expected to do, what our leader was expected to do and what the Prime Minister should do?

• (1220)

Mr. Jack Layton: Briefly, Madam Speaker, the member's question requires me to attempt to penetrate the mind of the Prime Minister. I do not intend to do that and I will not go into the reasons why.

I will simply say this. Those of us who were running as leaders of political parties in the last federal election were requested respectfully by the Premier of Newfoundland and Labrador to put our comments in writing. I consulted very extensively with Jack Harris, the leader of the New Democratic Party in Newfoundland and Labrador, in developing my response, because he knows so well the needs of that province and he shares our values and our philosophy in how things should be approached. We put our answers in writing.

I cannot speak for the Prime Minister. He will have to speak for himself in the next election when it comes to the support of Newfoundland and Labrador.

Mr. Gerald Keddy (South Shore—St. Margaret's, CPC): Madam Speaker, I have been following this debate and have certainly attempted to listen closely. I have listened very closely to the government members and their discussion over the language of the motion.

I would like to put the motion on the record:

That this House deplore the attitude of the Prime Minister of Canada at and following the First Ministers' Conference of October 26, 2004, and that it call on the federal government to immediately implement its pledges of June 5 and 27, 2004, to allow the provinces of Newfoundland and Labrador and Nova Scotia to keep 100% of their provincial offshore oil and gas revenues.

To talk about language is sheer lunacy. This is not a bill. This is not something that the government takes tomorrow and turns into cold hard cash and then revenue flows into Atlantic Canada. This is a motion that could become a bill. The government gets to manipulate and change the wording of the motion if it cares to implement it. Do not give me this trivial foolishness and excuse that somehow this motion cannot be accepted by Liberal members on the government side. That is absolute sheer lunacy.

This offshore accord for Newfoundland and Nova Scotia is a greater tragedy than the Ocean Ranger.

An hon. member: Oh, oh!

Mr. Gerald Keddy: I was working in the offshore. I was there. I don't know where the member was, but I was there. I worked on the rigs in Nova Scotia and I worked on the rigs in Newfoundland, and I saw a rig jacked up in the middle of the night so it could get an air gap so that the waves would not hit its bottom.

This is a huge tragedy. This is the future of Nova Scotia, this is the future of Newfoundland, and it is a tremendous tragedy.

Hon. Gerry Byrne: That is not an appropriate metaphor. Eighty-four people died.

Mr. Gerald Keddy: Let me tell you something. If you want to call me out of order, you try. I was there. I do not know where you were, but I was there.

Newly minted Liberal statisticians: that is what I have been listening to. As we know, a statistician is someone who often, when working with the numbers, first looks at what is required for an answer and then finds the means to manipulate the numbers to come to that answer. I would say that we have a newly minted group of Liberal statisticians in the House, because they have looked for the answer first and now they are attempting to find a way to get to the

Supply

answer. I can tell members that is what I have been hearing from the government benches. We cannot do it. We owe more to the future of Nova Scotia and more to the future of Newfoundland and Labrador than that.

Madam Speaker, I should say that I will share my time with the member for New Brunswick Southwest.

It would be my sincere and heartfelt opinion that all government members in this debate, and especially the Minister of Natural Resources, should follow the sage advice of our elders that one really should not deliver a speech if one has no intention of improving on silence. Silence is what we are used to hearing from the Liberal members on this issue. Suddenly today some of them found their feet underneath them, but we have a series of Liberal cabinet ministers and parliamentary secretaries we have not heard from in this debate.

I will give the Minister of Natural Resources credit that at least he showed up. There are more in the series: the Minister of Fisheries and Oceans, the Minister of Public Works and Government Services, ministers from New Brunswick, ministers from P.E.I., and the parliamentary secretaries in all four Atlantic provinces. All of them do not deem this debate important enough to participate in. That is a real travesty of their right to be a parliamentarian.

Beyond the silence, we have heard excuse after excuse from the Minister of Natural Resources as to why he is not fighting. He is not fighting for the prosperity of Atlantic Canada. During the election as late as June 27, the Prime Minister assured Atlantic Canada—and won seats in Atlantic Canada based on his assurance—that he would deliver 100% of the offshore royalties.

• (1225)

I can tell members what we get today and I do not need to be a statistician to manipulate the numbers, because these are the facts. The Province of Nova Scotia receives 19¢ of every federal dollar from offshore revenue. The federal government receives 81¢. The Province of Newfoundland and Labrador receives 27¢ of every federal dollar. I do not think that is a fair cut. I do not know if these guys are card players or mathematicians or what they are, but if that is called equality, it is not equality based on the premise that I understand equality to be based on.

Why is it that the moment someone becomes a cabinet minister in this government he is suddenly emasculated and silent? Why is it that these ministers no longer understand the reason they were elected to this House, which is to stick up for the part of the country that they come from regardless of where that part of the country is?

Let us not mix this up with this convoluted equalization formula. This has nothing to do with equalization. This has everything to do with fairness and there is certainly no fairness here.

In 1987, when Nova Scotia signed the final Canada-Nova Scotia offshore accord, there was no offshore, so it was easy for the government of the day, and with good intentions, I would say, to say that Nova Scotia would be the chief beneficiary of any revenues flowing from the offshore.

Let me tell members, though, that Nova Scotia is not the chief beneficiary of the offshore. This is not about changing the language. This is very simple. This is all about fairness.

Supply

Let us take a look at what we in Atlantic Canada actually receive from the offshore. This agreement would be a baby step, a very important first step for the region, because excepting the royalties there is not much else in Atlantic Canada coming from the offshore. Most contracts that supply the rigs are with foreign-owned industry. Offshore resources are taken elsewhere. Refining, processing and petrochemical industries are not located in the region. Even with the agreement, the Atlantic provinces will not be getting the full benefits of their offshore resources. Places like Norway—where the industries are set up at source and around the coast and the jobs stay at home—get the royalties plus the benefits from the infrastructure.

How is one able to build infrastructure? By keeping the royalties and by having the wherewithal to build the infrastructure that puts those extra jobs in Nova Scotia and Newfoundland and Labrador.

If we look at the press releases and if we are following this closely, as I am sure all members in the House are, the Prime Minister committed to reforming the equalization system under which the richer provinces support the poorer provinces. He has not been able to do that, and on top of that he has not been able to even deliver to Newfoundland and Labrador and Nova Scotia the royalties that they deserve from the offshore. He made an election promise of 100%. I would expect and I would be certain that he would intend to respect his pledge and deliver 100%.

I have one minute left and a lot to say. It is almost criminal to think that to this government 100% means an eight year limit to a deal and then a clawback of royalties should Nova Scotia and Newfoundland and Labrador, heaven forbid, become as wealthy as Ontario. Could we imagine another province in this country as powerful and as wealthy as Ontario? Absolutely scandalous. Ontario is the breadbasket and the heartland of this country, but we should not link other provinces to being as wealthy as Ontario nor should we say shame on them if they are wealthier than Ontario. I do not think there is one person in Ontario who would think that is a fair formula, not one. I ask members to try to find one and get the person to state that publicly. It is ludicrous.

•(1230)

In my opening remarks I referred to statisticians. I would like to apologize to any and all statisticians if any of my comments caused hurt or cast aspersions on that very dedicated and illustrious group. However, I have no apology at all for the Liberal members opposite.

Mr. Scott Simms (Bonavista—Gander—Grand Falls—Wind-sor, Lib.): Mr. Speaker, I want to begin by saying that I was insulted by my hon. colleague's comment. For him to say that this is a greater disaster than the Ocean Ranger disaster undermines the situation and, as a Newfoundlander, I am completely insulted. More than 80 lives were lost in that disaster. I will not listen to any member undermine the greatest disaster in the offshore that Newfoundland and Labrador has ever seen. I ask the member right now, in front of everybody, to retract his statement.

Mr. Gerald Keddy: Mr. Speaker, I think I understand, probably better than the member opposite, but I certainly did not want to cause grief to anyone related to those lost on the Ocean Ranger. However, unlike the member opposite, I knew people on the Ocean Ranger and I worked in the offshore. I understand exactly what happened out there that night.

However, if the member thinks it is not a tragedy for Newfoundland and Labrador to sacrifice its future, then you have it wrong.

The Deputy Speaker: I remind the hon. member to address his comments through the Chair.

Hon. Gerry Byrne (Parliamentary Secretary to the Minister of Intergovernmental Affairs, Lib.): Mr. Speaker, I think there are certain concerns. The Ocean Ranger was indeed an absolutely terrible disaster and we never want to undermine that. I will not put it in any other context than that.

I would also say that we are trying to rectify an important piece of public policy which is a matter of a completely different nature. What the debate is all about today is to get to the grassroots, to the bottom of this in order to do what is in the best interest of Newfoundland and Labrador, Nova Scotia and Canada.

When I say that my preoccupation is on the language, it is because it is the tool of the House and the tool of public policy. Language is the essence of law and so it is very important. We need to examine the controversy and circumstances that surround the Atlantic accord and the fiscal transfers that would occur to be able to build up Newfoundland and Labrador and Nova Scotia to a point where we would all be exceptionally proud. It is the same point that we are at. We are very proud of it right now.

We are proud that a coalition of a non-partisan nature is building but to simply say that this has nothing to do with equalization, echoes my point that we must seek clarity on language. That is why I am asking hon. members opposite to provide, in an all party way, clarity to that language. If we can speak with one voice in this House, then the will of Parliament must and should be imposed on the government. That is why I am asking for that clarity. There is no other motive other than that.

•(1235)

Mr. Gerald Keddy: Mr. Speaker, this is not about language. This is about fairness and the future of Nova Scotia and Newfoundland and Labrador. This is about honesty and about keeping promises. This is an opportunity for Atlantic Canada to share in the wealth and contribute to the wealth of this great country.

The hon. member tries to say that this motion is somehow law and somehow a bill. This is the first step on the journey. There is nothing in the language of the motion that should stop any member of the House, who supports Atlantic Canada, who supports Newfoundland and Labrador and Nova Scotia keeping 100% of their royalties, from supporting.

Mr. Greg Thompson (New Brunswick Southwest, CPC): Mr. Speaker, I want to pick up where the member for South Shore left off.

In my mind the importance of the debate is to remind Canadians of a promise that the Prime Minister of Canada made and had no intention of keeping. When we get lost in the minutia of the equalization formula and the detail, I think we lose focus on what this whole thing is about.

Supply

The Prime Minister went to Newfoundland in the heat of an election campaign, with the bottom dropping out of his campaign, both going south in a panic mode, making a promise that he had no intention of keeping. What famous humorist came up with this expression: “We have lies, we have damned lies and then we have statistics”? The fact is that the Liberal Party of Canada wants to refocus the issue. It simply wants to get into the minutia and the details of an agreement.

However, as the member for Central Nova, our deputy leader, mentioned this morning in his remarks, what is it about 100% that the Liberals do not understand. The issue is that the Prime Minister made a promise that the province would keep 100% of the offshore revenues and that the revenues would not be clawed back in the equalization formula. It is that simple. As soon as we deviate from that we are playing into the hands of the Liberal Party of Canada because it has made so many outrageous promises over the years. In fact the leader of the NDP pointed out some of those.

Mr. Speaker, you and I have lived through some of those. I just want to remind the listening public of some of the promises made in the past that the Liberals did not honour. This is just one more, the promise made in the heat of an election in Newfoundland in terms of the offshore revenues.

Everyone will remember the GST. The Liberals said they would eliminate the GST. How many members over there got elected in 1993 because of that outrageous promise? They had no intention of keeping that promise. They did not keep that promise and yet they were elected on it.

That was the same party that said it would tear up the free trade agreement, if hon. members remember that one. That goes back to the 1988 election, the first election in which I was elected. The Liberals were demonizing the Americans at that time and said that they would rip up the free trade agreement if elected. Of course in 1993, along with the GST promise, was the promise that they would renegotiate the NAFTA agreement. They did not change a comma in the NAFTA agreement.

We talk about the success of Alberta, the oil patch in Alberta and how much wealth that has generated. We want the same level of fairness applied to Newfoundland. That is an argument that the member for Central Nova brought forward this morning, so I will not go through that.

I do want to touch on the national energy program. Prime Minister Trudeau at the time saw an opportunity to go out and rob Alberta of its revenues. The national energy program was all about bringing all that wealth into Ottawa so the Liberals could redistribute it at will. It took a Conservative government to unravel that program. The fact is that I think it will take a Conservative government to unravel the promise that the Prime Minister made.

The Prime Minister is used to getting up in the House and making outrageous promises or of pretending he knew nothing about nothing. It sounds like Tony Soprano to me, “I know nothing about nothing”. That is exactly what the Prime Minister does in this place, day in and day out. It is like the ignorance he enjoyed in the House in regard to Canada Steamship Lines and how much revenue was generated by contracts from the Government of Canada, which he

said was just a few hundred thousand dollars. It turned out to be several hundreds of millions of dollars of revenue generated by his company under contract to the Government of Canada when he was finance minister.

● (1240)

The Prime Minister cannot be believed, and the election last June pretty well proves that. What the motion is all about today is forcing the Prime Minister of Canada to honour the commitment he made this past June in the middle of an election.

We are saying that the provinces of Newfoundland and Labrador and Nova Scotia should be allowed to keep 100% of their provincial offshore oil and gas revenues. It is that simple. We simply want the Prime Minister of Canada to honour a promise made in an election simply for the purpose of gaining public support and winning enough seats to come back here as Prime Minister of Canada.

I guess the strategy worked as a clever political strategy but I believe that time has caught up with the Prime Minister and with the Liberal Party of Canada. As I have mentioned, the Liberals have a history of doing this.

Let us do the right thing. Let us support the motion that is before the House today, let us keep the heat on the Government of Canada and let us give Atlantic Canada its fair share of the prosperity that the rest of Canada enjoys.

Mr. Loyola Hearn (St. John's South—Mount Pearl, CPC): Mr. Speaker, what many people who are watching today may not know is that the member who just spoke is from New Brunswick. We have heard already from the leader, who represents Alberta. We have also heard from members from Nova Scotia and from members from my own province of course. During the day we will hear from members from other provinces who support our province in this because this is a fairness issue.

From my colleague's perspective as a New Brunswicker, what does he think about fairness? What does he think about broken commitments to Atlantic Canada? Is this the way to build a nation?

● (1245)

Mr. Greg Thompson: Mr. Speaker, that is a very good point. Canada building should be about sharing the wealth and honouring commitments made. Unfortunately, the Prime Minister of Canada takes this very lightly.

The truth is that members from all parts of Canada, all provinces and territories, are getting up and speaking about this level of fairness because what is good for one part of the country is good for the rest of the country. That is really what it is all about, sharing the wealth, is it not?

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The issue back home, back home in the sense of Atlantic Canada, is that we do not enjoy that level of prosperity. This whole debate is about sharing that prosperity. We do not know when there will be the same types of discoveries made in the Bay of Fundy which might, for example, benefit P.E.I., or possibly New Brunswick, or the Northumberland Strait, but the fact is that we would expect the same type of treatment. That is why we are standing in this House in support of Nova Scotia and Newfoundland and Labrador and telling the Government of Canada that, it is just as simple as that. We are asking the government to honour the promise and the commitment it made in the heat of an election campaign.

All I can say is that the Prime Minister's words are pretty empty. I believe the government had no desire to honour that commitment.

Mr. Scott Simms (Bonavista—Gander—Grand Falls—Windsor, Lib.): Mr. Speaker, I listened with particular interest to a couple of my colleagues across the way concerning this issue. Certainly over the past two months I have been talking with many people in the federal government and in the provincial governments, and have spoken to many experts in the field. I am getting a good grasp of the equalization formula and everything that it involves.

I would like to ask that particular member, who seems to have a genuine interest about providing what is just and what is right, to explain to me how this deal falls short of expectations in the sense of fiscal capacity and also in the sense of the clawback itself. Perhaps he would like to explain it to me in detail because I would like to get his take on it.

Mr. Greg Thompson: Mr. Speaker, the strategy the Liberals have been told to use is to come into the House, divert the issue away from the Prime Minister and get into the complicated equation of the equalization minutiae, as I mentioned earlier. That is exactly what the members were told to do. They were told to come in and try to divert attention away from the Prime Minister of Canada and the promise that he made.

I go back to the line that the member for Central Nova used this morning. What part of 100% do the Liberals not understand? That would be the question. The only thing they understand is making outrageous promises so they can have a seat the House of Commons. That is it. Once they are here, they forget about promises, commitment and fairness. What part of fairness does the member not understand?

Hon. Gerry Byrne (Parliamentary Secretary to the Minister of Intergovernmental Affairs, Lib.): Mr. Speaker, for the record, despite what someone may or may not have suggested to me, I am here of my own free will and I will speak exactly as I see fit. I have stood and I stand fast with the principles that have been articulated. I take a back seat to no one. What I am here to do is simply help this process along and try to generate all party support for a concept and principle.

When this was tabled at 2 p.m. yesterday afternoon, I was told by several economists that the phrase "100% of the provincial offshore oil and gas revenues" caused a lot of loopholes that prevented a direct analysis and correlation to the issue at hand. That is why I am asking for all party support for an amendment to provide clear, precise definition on where the House stands on this issue.

No one should take that intent with any suspicion or malice. It is genuine and I stand behind the people of Newfoundland and Labrador, Canada and Nova Scotia.

• (1250)

Mr. Greg Thompson: Mr. Speaker, he is the last member who should be preaching to us on ethics and ethical behaviour in terms of principle and commitment. He is the member who, when he was the minister of ACOA, basically wrapped his arms around a pork barrel and took it back to his own riding at the expense of other parts of Newfoundland. He is the last member from whom we have to take lessons.

In fact he was bragging that his vote count would increase simply because he used the old pork barrel back in his riding. That is the Liberal way of doing things. I would expect nothing less from the member because he has a very good track record of behaving in that fashion.

Hon. Shawn Murphy (Parliamentary Secretary to the Minister of Fisheries and Oceans, Lib.): Mr. Speaker, before I start my remarks, I will be splitting my time with the member for Random—Burin—St. George's.

We are having what I consider a very interesting discussion on the motion, and it is a very important issue. I sense that we are somehow hearing a lot more about the politics of the issue rather than the real issue itself.

As everyone in the House is aware, equalization has been part of our economic and political fabric in the country for quite some time now. We are talking about a matter of principle that all Canadians, wherever they live from coast to coast to coast, ought to be treated equally. They ought to receive comparable levels of service at reasonably comparable levels of taxation. As everyone knows, we will never get the system perfect. Also, as things have developed over the last number of years, it seems to be that the greater challenge going forward may be the discrepancies which exist between rural Canada and urban Canada. This is something perhaps that will be subject to another debate in the House of Commons.

From the comments from all parties in the House, the principle of equalization is certainly supported by everyone in the House and across Canada, and it is embodied in our Constitution. There have been problems with the equalization formula over the last number of years. I certainly had a lot of problems with it myself. I am very pleased about the agreement that was reached on equalization by the Prime Minister of Canada, the 10 provincial premiers and the three territory leaders on October 26.

One of the biggest problems was predictability. I had a lot of sympathy with the individual provincial ministers of finance, because they really did not know what their equalization funding would be for that year. I believe most provinces deal with a March 31 year end. They present their budgets late January, February or March of each and every year. They would be given a figure from the federal government and that would be the figure would be included in their provincial budgets. However, every provincial finance minister, present and previous, realized that this figure would change at least once, if not twice or three times during the year. Sometimes, and relatively speaking, these adjustments would be rather dramatic.

It was grossly unfair for a provincial minister of finance to receive a call at 3:30 or 4:00 on a Friday afternoon and be told by officials in Ottawa that his or her province's equalization funding would be reduced dramatically. As everyone in the House and people watching this on CPAC can understand, that caused a lot of problems in provincial finances and how provinces were operating. It may come as some surprise to hear this, but it also caused problems when the same finance ministers received a call on Friday afternoon indicating that they were getting considerably more than what they expected. The principles of caution and prudence would be thrown to the wind, some of the money perhaps would not be spent as wisely as it ought to have been, it would end up in the A-base funding of the province and it may not be there next year. We can see the problems that would be created. That was a problem that needed rectification, and it was rectified.

We also had the cap on equalization which again was a problem. That was remedied a couple of years ago. It was not dealt with in the last agreement that the first ministers made.

Another contentious issue, which has always been on the table and is very much a part of the debate today, was the whole issue of non-renewable resources. It had been the position of a lot of provinces, and we certainly have to agree with this to a certain extent, that a non-renewable resource, whether it be a gold mine, an oil well or a potash mine, was a finite resource. Once that mine was depleted or that oil well is dug dry, there was no future revenue source. At some point in time every mine or oil well would come to an end.

• (1255)

This was different in each and every province. It certainly was not the issue in Alberta because it was not an equalization receiving province. However, it certainly was a major issue in the provinces of Nova Scotia and Newfoundland and Labrador because they were dealing with a non-renewable resource, and it has caused problems.

Some of the developments in Newfoundland and Labrador which dealt with Voisey's Bay skewed decisions. The royalties that came from Voisey's Bay immediately provided the province with resource royalty revenue. In the long term the resource royalty revenue was deducted from Newfoundland and Labrador's equalization entitlements and there was really nothing at the end of the day. I think that was the real reason behind the substantial delay in that project going forward.

We are dealing with a relatively contentious issue. I have listened to the debate that has taken place. I believe everyone is on the same page. We all want the province of Newfoundland and Labrador to

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prosper. We all want the people who live in that province to prosper. Going back years ago, there were situations in the province that were mishandled, such as Churchill Falls. There are still repercussions from that today. There was also the situation with the collapse of the groundfish, which has caused tremendous problems for the people of Newfoundland and Labrador especially, but also for the people who live in Atlantic Canada. It still causes problems.

I sympathize with the comments that have been made today with respect to the oil and gas revenue in Newfoundland and Labrador and in the province of Nova Scotia. It is important that the Government of Canada, in dealing with the provinces, especially those two provinces, get it right and ensure that it is in the best interests of the people who live in those two provinces.

If I had given this speech eight months ago, I would have stated that both provinces deserved a better deal. That is why I supported the agreement that was reached between the Prime Minister and Premier Hamm and the Prime Minister and Premier Williams in June of this year. The funding would be increased dramatically and they would be entitled to receive 100% of their royalty revenues. I was also pleased with the agreement reached on October 26 which dealt with, to a certain extent, the issue of predictability. Whatever an equalization receiving province was told it was entitled to receive early in that year would not be decreased no matter what happened. That provides a lot of certainty to the financial projections of each province.

I was also pleased that the level of funding for equalization would go up from \$8.9 billion to \$12.5 billion over the next five years, which will add, I believe, \$33 million to the equalization funding over the next five years.

The election commitments made by the Conservative Party in May and June of last year concern me. They also trouble the people who live in New Brunswick, Prince Edward Island and Manitoba. Its document states:

We will move towards a ten-province standard that excludes non-renewable resource revenues from the equalization formula...and do so in a manner that ensures no provinces receiving equalization will receive less money during the transition to the new formula than the current formula provides

• (1300)

If one does the calculations, it is extremely troubling. It would freeze those provinces forever and a day on the equalization formula. I am glad that has not happened. If there is anyone out there from Prince Edward Island, anyone out there from New Brunswick and anyone out there from Manitoba, I am glad we followed this formula and not the formula advocated—

The Deputy Speaker: Questions and comments. The hon. member for Kootenay—Columbia.

Mr. Jim Abbott (Kootenay—Columbia, CPC): Mr. Speaker, that was a really nice try by the member, but the fact of the matter is we are discussing the fact that the Prime Minister did not keep his word. It has nothing to do with our promise or what we said or anything else. We would have followed through and we can have a debate about that, but this debate is about the fact that the Prime Minister has not kept his word.

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I know the member to be a very honourable gentleman. He is also a person who is given to a great deal of candour in most of his public pronouncements. Let me ask him point blank in the expectation of a very candid answer. If he heard the Prime Minister, and particularly if he was to think for a second about the repetition of the Prime Minister's comments specifically as entered into this debate this morning by the Leader of the Opposition, how could the member possibly have arrived at any other conclusion than the fact that now as a result of the Prime Minister's current action, he has clearly, specifically gone back on his word?

Hon. Shawn Murphy: Mr. Speaker, absolutely not. The Prime Minister has not gone back on his word.

As has been explained in this debate, the rebate, and that may not be the proper term, has been increased from 30% to 100%. It will be reviewed at the end of eight years. I do not think anyone in Canada would have a problem with that. And once the revenues of Newfoundland and Labrador reach the same levels as those of the province of Ontario, I do not think anyone living anywhere in Canada would have any problems with that.

Again I come back to my comments and the questioner did not allude to it. I am very disturbed that the debate is not focusing on the campaign promises made by the Conservative Party in May and June, which would have frozen forever and a day, not eight years, but it would be 88 years, the equalization funding received by the provinces of Manitoba, New Brunswick and Prince Edward Island.

It is interesting that the Leader of the Opposition is going to Atlantic Canada to talk about this. He is going to Nova Scotia and Newfoundland and Labrador. He is certainly not going to the province of New Brunswick and he is certainly not going to the province of Prince Edward Island to explain to the people who live in those provinces what he was trying to do during the election campaign.

Mr. Jim Abbott: Mr. Speaker, again I have to say nice try, but it just does not wash.

The federal Liberal members of Parliament from Atlantic Canada are the only people in Canada who are not clearly aware, or at least will not admit that the Prime Minister has clearly, specifically, gone back on his word.

Is the member saying per chance that Premier Hamm and Premier Williams do not understand English? Is he saying that they are too slow to understand the fact that the Prime Minister has gone back on his word?

Let me ask the member this question: How does the member explain the actions of Premier Williams when Premier Williams left the conference on equalization, was not prepared to take part and has clearly and specifically said that the Prime Minister of Canada is not to be trusted, that he is a person who will not keep his word? How does he explain Premier Williams' position?

• (1305)

Hon. Shawn Murphy: Mr. Speaker, I am not going to attempt any explanation. I answered the learned member's questions already, but he is going back with all this talk and suggestions about allegations and innuendo that someone has gone back on his word.

I was very disturbed about the platform of the Conservative Party during the last federal election. A lot of people did not understand it. I certainly understood it. I certainly understood the ramifications and repercussions it would have on the people living in Manitoba, Prince Edward Island and New Brunswick.

I will repeat for the record what the member for Central Nova said. I think he hit the nail on the head about the Leader of the Opposition:

Comments Tuesday by Stephen Harper, leader of the Canadian Alliance, reinforce what a narrow, regionally based party the Official Opposition continues to be. We should not be—

The Deputy Speaker: Order, resuming debate.

Mr. Bill Matthews (Random—Burin—St. George's, Lib.): Mr. Speaker, I want to thank my colleague for sharing his time with me on this very important date. I have listened with great interest to the views of all members this morning and this afternoon. I am pleased to say that this is a serious debate which is being taken very seriously by all members on all sides of the House.

I want to start by categorically stating that I support the desire of Newfoundland and Labrador to obtain 100% of revenues from its offshore resources. I want to go on the record at the outset as saying that I support the province of Newfoundland and Labrador receiving 100% from its offshore resources.

I remember very well the days of discussion and negotiation when it became apparent that there was a need for an Atlantic accord. Some of my colleagues on the other side were in provincial politics with me at the time. We remember it very well. It was emotional, it was heated and there was a lot of debate. Eventually the Atlantic accord was signed.

The principle of the Atlantic accord was that Newfoundland and Labrador and Nova Scotia would be the primary beneficiaries of their offshore resources. They would be the primary beneficiaries. That is the principle on which the Atlantic accord was negotiated, discussed and signed.

There are a couple of reasons. One is the location of our resources. They are offshore, under water. This morning someone referenced the cost of extraction which is true. The other very important point that has to be remembered is that the provinces of Newfoundland and Labrador and Nova Scotia have not been as well off economically, from a wealth point of view, as some other provinces in Canada. We have an enormous debt. In the past we have not benefited the way we should have benefited from our resources.

The Atlantic accord was supposed to correct that. That is what the debate is about today. Newfoundlanders and Labradorians feel very strongly that they are not the primary beneficiaries of their offshore resources. They feel strongly that the Government of Canada benefits from its offshore resources more than they do and they find that to be totally unacceptable.

Since this whole issue blew up a couple of weeks ago I have been preoccupied with trying to understand the problem. In order to solve any problem we have to understand what it is.

The Prime Minister is very committed and is very convinced that he has offered Premier Williams and the province of Newfoundland and Labrador 100% of its offshore resources. Premier Williams is just as committed and determined that the Prime Minister has not delivered the 100%. We have a basic, fundamental misunderstanding. I have been trying to understand where the problem lies.

There are a couple of issues that have created this problem. In Premier Williams' correspondence to the federal government, he consistently talked about a timeframe which would cover the petroleum production period. That really means that while oil flowed from the wells off our coast, this agreement would apply to it.

In the letter of the Minister of Finance back to finance minister Sullivan and the province a few Fridays ago, the federal finance minister referenced an eight year agreement. There is a big difference between eight years and the petroleum production period which is unknown. I guess we could project how long oil will flow from some wells; there is a certain amount of uncertainty, but the production span certainly would be more than eight years. That is a problem.

Another problem is when it comes to fiscal capacity. Newfoundland's fiscal capacity from own source resources is currently \$4,900 per capita. When we add the equalization payments to that \$4,900 it brings Newfoundland's fiscal capacity to \$6,200. Of course, in his letter the Minister of Finance referenced the Ontario threshold which is between \$6,600 and \$6,700.

If we calculate the equalization payments that Newfoundland receives through its own source revenues, it does not give it a lot of room before the flow of revenue from the offshore revenues closes that gap. There will not be a significant amount of revenue flowing to the province before we reach the Ontario threshold. That is another fundamental problem that the province of Newfoundland and Labrador has with this.

The province contends that the equalization payments, which bring that gap up to \$6,200, should not be calculated and included in its fiscal capacity. It is contending that its fiscal capacity from own source revenues, which is \$4,900, should stay there, let the revenues from oil flow in and reach the Ontario threshold. It is not going to take the province long at \$50 or \$55 U.S. a barrel, if we put the equalization payments in with it, before the Ontario threshold is reached.

• (1310)

That is a fundamental problem which has to be addressed if we are going to reach an agreement on this.

Mr. Norman Doyle: John doesn't understand that. You're right Bill, you're right.

Mr. Bill Matthews: The member from St. John's is saying that I am right. I thank him for that.

I have tried to figure out, by discussing with federal financial officials, federal ministers, the Prime Minister, Finance Minister Sullivan and Premier Williams what this all means.

Finance Minister Sullivan told me as recently as this morning that based upon the province's projections for fiscal year 2005-06 at \$50

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a barrel, the flow of provincial own source revenues from our offshore would be \$426 million. Minister Sullivan contends that, based upon the agreement he understands has been offered by the federal government, the province of Newfoundland and Labrador would only be allowed to keep \$233 million. That is what Finance Minister Sullivan firmly believes. If in fact that is true, that is a difference of \$193 million. For a province that is cash strapped and has a severe debt which it needs to get out from under, that is a significant amount of money in one fiscal year.

For fiscal year 2006-07 with three oil fields producing, when we will peak, the projections for the flow of provincial revenues for Newfoundland and Labrador would be \$850 million. Minister Sullivan says that in that fiscal year, again the province would only be allowed to keep \$233 million, which is a difference of \$617 million. In fiscal year 2007-08 the province projects that the flow would be \$731 million. It can keep \$233 million for a difference of \$498 million.

I have gone through this because we have identified three problems. There is the eight year period versus the petroleum production period, whether or not equalization should be calculated in Newfoundland and Labrador's fiscal capacity in reaching the threshold of Ontario, and of course, I just went through the projections and what Newfoundland and Labrador claims it would lose off the table with this deal. That is the problem.

My goal as one member of Parliament from Newfoundland and Labrador is to get the best deal possible for Newfoundland and Labrador. It is not about anything else. I do not have any other agenda. I do not have an agenda of ambition. It is about getting the best deal possible.

Where do we go from here? It is very important that everyone on all sides keep the rhetoric and the name calling down. Both sides have agreed to that. Premier Williams has agreed. Finance Minister Sullivan has agreed. The Prime Minister has agreed. The Minister of Finance has agreed. All the Newfoundland and Labrador MPs have agreed. We all agree that we should cut out the rhetoric and the name calling and get down to business. All I want to do here is to get back to business and sort this thing out.

There are fundamental differences and misunderstandings. Solutions have to be found. If we are ever going to get rid of the debt in Newfoundland and Labrador, if we are ever going to be able to offer the level of services that our people deserve, this is our chance.

I will stand for no less than 100% of offshore revenues accruing to the province of Newfoundland and Labrador on behalf of the people that I represent. I am interested in the two sides getting to the table and getting back to serious negotiation. Stop the posturing. If there are misunderstandings, if there is blame to go around, let us forget it. The main thing is to find a solution.

Supply

•(1315)

Mr. Norman Doyle (St. John's East, CPC): Mr. Speaker, I do not really have a question for my colleague, but I do want to say that it was a good speech. I really enjoyed that speech. It was the first indication that I have been given so far today that there is someone on that side of the House who truly understands a little about this offer and this agreement. The hon. member has demonstrated that.

I have been saying all morning and to the Minister of Natural Resources that the Prime Minister has been saying that we will get 100%. I will speak in a few minutes on this debate and I will repeat it again. That is the key in order for people to understand fully what this deal is all about. It has to be repeated over and over again. I said to the minister today that the Prime Minister has been saying that we will get 100% only until our province's fiscal capacity equals that of Ontario. Ontario's fiscal capacity is based entirely on the performance of its economy and that is what was said by the member.

If Newfoundland and Labrador's fiscal capacity was based only on the performance of its economy, we would be getting 100% of our oil revenues forever and a day. All members who understand this agreement would agree with that. However, here is the key and I will repeat it again. The Prime Minister and the Minister of Finance have artificially jacked up Newfoundland's fiscal capacity by adding in our equalization payments and the offshore revenues that we are currently getting.

That puts us artificially close to Ontario's fiscal capacity. It would not take a long time for Newfoundland and Labrador, under that scenario, to reach the fiscal capacity of Ontario, at which time of course the clawback provisions of the equalization agreement would kick in again. This has to be repeated over and over—

The Deputy Speaker: The hon. member for Random—Burin—St. George's.

Mr. Bill Matthews: Mr. Speaker, there was no question from the hon. member. I guess he gave part of his speech which I enjoyed and I look forward to the rest of it after.

In all fairness to the member opposite and to others, it is a positive thing that the Minister of Finance, in his letter to the province, referenced the Ontario fiscal capacity threshold because if he had referenced the five province standard, it would have been less than Ontario. Some people of Newfoundland and Labrador were annoyed with the reference to Ontario because they say it would be something if they woke up some morning and they were better off than Ontario. They would not be able to sleep for weeks at the thought of it.

The reference to Ontario is positive because it gives us more room and allows more offshore oil revenues to flow into our province, before we reach the Ontario threshold. The other thing that complicates this is the national equalization program. We must be mindful of that. The Prime Minister has to operate within the parameters of a national equalization program that was designed and agreed to by the Prime Minister and the premiers of the provinces, so he has to be careful what he does with that, in fairness here.

All I can say to the hon. member is that I want this matter resolved. We must get back together on this and I do not think in all sincerity that it is ever going to be concluded if we leave it to the

officials. That is where the problem lies now, at the official level. We must elevate it to finance minister to finance minister and prime minister to premier if we are ever going to sort this out. If we leave it to the officials we will be here forever trying to settle this issue.

•(1320)

Mr. Gerald Keddy (South Shore—St. Margaret's, CPC): Mr. Speaker, like my colleague from St. John's, I too appreciate the comments of the member opposite. There is an issue at stake here of fairness and we do need to get back to the table. It does need to be at the absolutely top level between the Prime Minister and the Premier of Newfoundland and Labrador.

However, unlike the member opposite, I do not agree totally that this is something that became bogged down in bureaucracy. The Prime Minister of Canada is the chief of Canada. He is the boss. That individual can call the Premier of Newfoundland and Labrador tomorrow and tell him he wants a face to face meeting. It is not up to his bureaucrats to do it. It is up to him to do it.

Mr. Bill Matthews: Mr. Speaker, again there was no question asked. I can only comment that the Minister of Finance and Minister Sullivan agreed a number of days ago to allow their officials to talk. The reason being was so that the officials from both levels of government could understand the position of the other level of government. That is what it was about. There has obviously been a big misunderstanding as to what the 100% meant in the federal government offer and what the provincial government expected it was getting in the 100%.

The officials were supposed to sort that out so that at least they could understand both positions. That was all one could expect the officials to do. Following that, I think it is time for the ministers and first ministers to settle this issue.

Mr. Norman Doyle (St. John's East, CPC): Mr. Speaker, I am pleased to offer a few remarks in the debate on this very important issue. I have spoken on the issue, as the House is well aware, probably 8 or 10 different times over the last couple of weeks either in question period or in debate. Every time I speak on the issue, I get very angry. I am going to promise today that I am not going to get angry. I am going to keep my blood pressure at its normal level if I can.

We all get angry when we know that we have been made victims. The realization of knowing we have been made a victim in this whole thing makes me very angry and that is why I have been angry every time I have spoken in this debate. We all get angry when we know we have been hard done by, when we have been made victims, and when we have been treated as if we do not matter. This is what has been going on here over the last couple of weeks in particular.

I got angry again today when I heard the Minister of Natural Resources speak in this debate. The minister is really the master of baffle-gab. He implied something today in debate, which I think has to be corrected on the record. The minister made the allegation that the Premier and finance minister of Newfoundland and Labrador, two highly educated and intelligent gentlemen, really did not understand this particular proposal that was being made by the Minister of Finance and the Prime Minister and, as a result, they will never sign because they do not understand it. Nothing could be further from the truth, as we know.

Supply

The resolution we have before us today is going to serve a good purpose. It is going to highlight the broken promise made by the Prime Minister of Canada. What it should do as well is send a message to the Prime Minister of Canada that one cannot make a promise of that magnitude to the people of Newfoundland and Labrador, involving billions of dollars over the long term and the long term future of the people of Newfoundland and Labrador, and then simply walk away from it, renege on it or break it without suffering the consequences.

This is what the Prime Minister of Canada has done. I think the resolution is a very important one. We heard my colleague from Burin—St. George's a moment ago who made a very good speech, one that made sense. If the Minister of Natural Resources had the good common sense to make that kind of a speech today, all of us would be a whole lot better off because of it. It will give the Liberal members of Newfoundland the opportunity to tell the people of Newfoundland and Labrador where they stand on this issue.

Are we on the side of cheap, partisan political game playing, as the Prime Minister has been doing over the last three or four months at the expense of Newfoundland and Labrador or are we going to tell the federal government that it made a very important promise to the people of Newfoundland and Labrador that helped it win five seats in that province and now it has to deliver?

That is a bit partisan, but that is exactly what happened. I believe that if all seven members stick together on this issue, we have the opportunity to hold the federal government to account.

•(1325)

Let us not forget that the federal government is in a minority government situation. If we had the support of all five Liberal members from the province of Newfoundland and Labrador along with the two Conservative members here and the Conservative Party, we could make a difference and hold the federal government's feet to the fire on this particular issue.

If there ever was a time when we had to deplore the attitude of the Prime Minister and the Government of Canada, it is now. I think the time has come in the history of Newfoundland and Labrador. This is the defining moment. This is the cornerstone moment for the people in Newfoundland and Labrador. This is the time when we have to state our case.

I have been here now for about seven and a half years. I am not a great veteran of the House. What I have learned in the seven and a half year period is that we are treated like an annoyance by the federal government. We are treated like the pain that has to be tolerated because we exist. That is the way we are treated by the federal government. The federal government and the Prime Minister of this country have no respect.

The Prime Minister has no sympathy for the very difficult financial problems that we have to deal with in the province of Newfoundland and Labrador. He has no understanding of it. He certainly has no sympathy for it until an election rolls around and then we see the promises trotted out. Promises are thrown around like confetti. It is really disappointing that the Minister of Natural Resources has been part of that. He has aided and abetted the Prime

Minister on this particular issue and he has not stood up for the people of Newfoundland and Labrador on this issue.

I have great criticism for the Minister of Natural Resources because he is our federal cabinet representative for Newfoundland and Labrador. He has failed miserably to stand up for the people of Newfoundland and Labrador.

Maybe that is why we used the word "deplore" in the motion we have before us today. People are saying that we should possibly remove that word. We should remove language that inflames. Who knows? I am not in a position to say that these words will be removed because it is deplorable. That is what the resolution actually reflects.

These are very tough times for our province. The gloves have to come off at certain times in our history. This is when the gloves have to come off. The province of Newfoundland and Labrador is in a very difficult position financially. There can be no room for soft language. We have to say to the people of Canada and to the federal government that now is the time when we become equal partners in Confederation. We have to make a stand for the people of Newfoundland and Labrador because this is deplorable. There is no room for mealy mouthed people who want an easy ride on this particular issue. It is time to stand up and count ourselves either in favour of Newfoundland and Labrador or against it.

Again, if we stand together on this particular issue, we can make a big difference for the people of Newfoundland and Labrador. We can hold the Prime Minister's feet to the fire on this particular issue. The time has come.

This is a very important issue. It is the biggest issue that has ever faced the people of Newfoundland and Labrador in a long time. Why? Because it has the potential to make us a have province, maybe not in 2, 3, 5 or 10 years, but in 15 or 20 years we may finally have the ability to keep our children home for a change. They might have a future if we can get this through.

•(1330)

The Deputy Speaker: We will have just one minute for questions and one for responses.

Hon. R. John Efford (Minister of Natural Resources, Lib.): Mr. Speaker, to say the time has come is absolutely right. I agree with that. The time has come to stand up for Newfoundland and Labrador and to make sure that Newfoundland and Labrador gets the best deal, the 100% deal, that is committed in this proposal. The only way to do that is to ensure that we leave politics aside, and the wording in that motion deplores the credibility of the Prime Minister. If members opposite were interested in getting the best deal for Newfoundland and Labrador, that wording would be excluded from it and we would vote on Newfoundland and Labrador getting 100%.

But I will also say that we should leave the rhetoric aside and I will ask the hon. member one question. Will he explain in one minute what the four components that make up this deal mean to Newfoundland and Labrador in the formula that is put down? Does he understand what it means?

Supply

Mr. Norman Doyle: Again, Mr. Speaker, it is hard to dignify that kind of question with an answer but I will see what I can do.

I hope the hon. member was listening to the speech made a few minutes ago by the member for Random—Burin—St. George's. If he was, he would have some understanding. I know it is a complicated issue. I know the hon. member has difficulty in understanding the issue, and that is okay, but at least the member for Random—Burin—St. George's had some grasp of it.

The hon. member stood here today and talked about fiscal capacity as if he had some understanding of it. He keeps up this bafflelegab, expecting that then I can get up and in 30 seconds come up with four components that are going to contribute to the deal. It would take me an hour or an hour and half.

I said to the hon. member this morning on one particular issue, when it came to the fiscal capacity of—

• (1335)

The Deputy Speaker: The hon. member for Bonavista—Gander—Grand Falls—Windsor.

Mr. Scott Simms (Bonavista—Gander—Grand Falls—Windsor, Lib.): Mr. Speaker, I rise to compliment my hon. colleague from St. John's East. I enjoyed his speech thoroughly and there is no doubt in my mind that he believes what I believe. What I believe unequivocally is, for Newfoundland and Labrador, 100%. In my riding in central Newfoundland, I have received hundreds if not thousands of e-mails and calls talking about the sincerity of this issue. I too believe in the sincerity of this issue, much as my honoured colleague does. Again I compliment him on his career and I compliment him on his speech. There is no doubt in my mind that all of us here believe in Newfoundland and Labrador 100%.

These are troubling times for us and the reason is that this is an incredibly important issue. This is our Meech Lake accord.

My question is for the member for St. John's East. We are trying to keep all the rhetoric down. I have had several conversations, including one with the Premier of Newfoundland and Labrador, and I would urge all people to keep the rhetoric down at this point, to see that we can reach this deal, so that the decision can be done with information, and everybody is—

The Deputy Speaker: The member for St. John's East.

Mr. Norman Doyle: Mr. Speaker, let me say to the hon. member that I understand perfectly what he is talking about. I could say to him as well that if I thought for one minute we were going to reach a deal on this particular issue or it had something to do with the resolution that we have here before the House, I would have it removed right now, and all of us would, because this issue is a very important issue. It is probably the biggest issue that has hit the Province of Newfoundland and Labrador in the last 15 or 20 years. Why? Because it has the potential to make us a have province, not in 2 or 5 or 10 or 15 years but maybe 20 or 25 years down the road.

The federal government and the Prime Minister do not have to worry about overheating the Newfoundland economy in the short term. It is going to take 15 or 20 years for us to get on top. It gives us something to hang onto. We made a bad deal on hydro 30 or 35 years ago. The federal government has been responsible for the fishery failing in Newfoundland and Labrador. This is the last chance we

have to somehow make it right for our children and make it right for our children's children. This is what we are fighting for.

The Deputy Speaker: I am sorry, but the five minutes has expired. It goes by very quickly. Resuming debate.

Mr. John Duncan (Vancouver Island North, CPC): Mr. Speaker, I am from British Columbia and we are taking a great interest in this debate. I want people in Atlantic Canada to know that Canadians from coast to coast to coast agree with them on this issue.

I have an interesting seating structure in the House. Beside me I have a member from Manitoba. Beside him is the member from St. John's. We all touch salt water. We all have issues with the federal government and the way it chooses to try to control either our resources or our resource revenues.

British Columbia has an offshore oil and gas resource and we are now past the 30 year mark on a federally imposed moratorium that is depriving British Columbia of an opportunity to make its own choices on that resource. This is something that needs to end, and soon, and we have two reports that are going to be tabled in the next month, I presume. They will focus on a summary of public opinion on the issue and a summary of first nations input. We are expecting a decision on that moratorium in 2005, from both our provincial and our federal governments.

However, when we look at the precedent in Canada, of course it comes from Newfoundland and Labrador and from Nova Scotia. Over the last three months I have talked to basically every significant major participant in the oil and gas sector in Canada. There is one message that I can boil down from what they have said about what we are talking about today, and that is, if the offshore oil and gas royalty regime in place today in Nova Scotia and in Newfoundland and Labrador persists, they are simply not interested.

They are not interested because as long as the feds continue to control the resource revenues, the taxation and the regulatory regime in the way they are now, then there is so much unhappiness at the provincial level. The provinces are not in control of their own destiny, their own incentives, and their own opportunity to do things in the way that is required. Industry then becomes collateral damage in all of this jurisdictional problem and there is a squeeze for revenues that makes these projects untenable, so this is a very significant debate.

We have a deep-rooted political and philosophical division between the party I represent, the Conservative Party of Canada, and the Liberal Party of Canada. If we dig into the Liberal Party's philosophical roots, its deep-seated roots, one can go back to statements by Marc Lalonde when he was principal secretary for Pierre Elliott Trudeau. In some of the early constitutional wrangles on resources, he said in reference to oil and gas that "we will have no more Albertas". The Liberal Party has never changed its spots.

Even if today the Liberal Party were to fulfill the Prime Minister's oil and gas promises of June 5 and June 27, one could bet that at the first opportunity the Liberals would be trying to find a way to undo or undercut the deal or somehow manipulate it so that it really was not 100% of royalties going to Newfoundland and Labrador and to Nova Scotia. This is something that needs to change.

Supply

• (1340)

When the member for St. John's East talks about what a benchmark or significant moment this is for Newfoundland and Labrador, I totally agree, but I go beyond that. This is potentially a watershed for how the provinces and the federal government deal with and arrange jurisdiction over our resources.

Many of us who are from the west coast or other parts of Canada have spent time in Newfoundland and Labrador. We know how strong, independent and full of pride those people are. They deserve no less than the people of Alberta, who control 100% of resource royalties from their oil and gas resource.

I am a Canadian who is older than Newfoundland and Labrador. The province came into this Confederation in 1949. In 1949, the people of the province brought the offshore oil and gas with them, probably unknowingly at the time, but Alberta had already taken jurisdictional control of its resource in 1930. There is a grand precedent here and one that we need to overturn in terms of ensuring that the provinces are the beneficiaries of their resource revenues. Otherwise, the whole system does not work.

There are many people observing this debate today who are from beyond Newfoundland and Labrador and Nova Scotia. This debate does not just include the 10 provinces. The premier from the Northwest Territories is very interested in this debate. It affects the Mackenzie Valley pipeline. Right now, resource royalties in the Northwest Territories amount to about 4% after the clawback and all the other arrangements. This means that there will be no progress on the Mackenzie Valley pipeline proposal until that is dealt with. Let us guess what the precedent is. It is Nova Scotia and Newfoundland and Labrador, the very issue we are describing today. I completely sympathize with the direction they are taking. If Canada chooses not to resolve this in very quick fashion, we could potentially lose the opportunity, because the Alaska project has now received the full backing of the state of Alaska and the federal government, reconfirmed by the U.S. election this week. That project will proceed and ours will not, which would be a very negative thing for the country.

There is a very strong message for Canadians about all of this. The Liberal Prime Minister made promises on June 5 and June 27 for election purposes, the promise to Nova Scotia on the day before the election. All of his promises mean nothing after the election. The Liberals should be held accountable for that.

I will give the House some examples of other promises the Liberals made, although I realize my time is almost up. They said the border would be open by the end of the summer. They knew otherwise. They said that we in the party I represent were warmongers. Do members know why they said that? Because we wanted to fix the equipment and stop the rust-out of our military equipment within the Department of National Defence and fix other basic structural problems, and let us look what has happened. We have been proven correct on all of that.

• (1345)

The Liberals said that we were exaggerating the numbers in the budget. Who was exaggerating? What was determined very recently? Our surplus was \$9.1 billion, not \$1.9 billion and—

The Deputy Speaker: The hon. member for Random—Burin—St. George's.

Mr. Bill Matthews (Random—Burin—St. George's, Lib.): Mr. Speaker, I enjoyed the remarks of my hon. colleague. They were a little wide ranging for the issue we have at hand today, which is a an important and serious resolution. It deals with a serious and significant matter for the people of Newfoundland and Labrador and Nova Scotia.

From what I have heard today, there is a wide range of concerns and a big desire to find a solution to this problem.

I want to sincerely ask the hon. member this. Does he think it is constructive and useful to this debate and to solving this issue to have inflammatory references in the resolution as put forward yesterday by his leader, the Leader of the Opposition? Does he think it is constructive and useful to finding a resolution to a very serious issue on behalf of the people of Newfoundland and Labrador and Nova Scotia?

Mr. John Duncan: Mr. Speaker, one thing I did not get an opportunity to do when I started speaking was to read the motion, and I will do that at this time:

That this House deplore the attitude of the Prime Minister of Canada at and following the First Ministers' Conference of October 26, 2004, and that it call on the federal government to immediately implement its pledges of June 5 and 27, 2004, to allow the provinces of Newfoundland and Labrador, and Nova Scotia to keep 100% of their provincial offshore oil and gas revenues.

The only individuals who would find that inflammatory would be people who disagree with the point of view that 100% of the royalties should go to the provinces.

• (1350)

Hon. R. John Efford (Minister of Natural Resources, Lib.): Mr. Speaker, take that word out, if the member is seriously interested in Newfoundland and Labrador and Nova Scotia.

An hon. member: What word?

Hon. R. John Efford: Take out the word deplore, and no rhetoric.

Will the hon. member tell me in 20 seconds or less what are the four components that make up the deal being offered to Newfoundland and Labrador and what he sees wrong with it?

Mr. John Duncan: Mr. Speaker, we all know the government has been playing with the numbers and trying to find different ways that Newfoundland and Labrador, for example, would never be given the opportunity to become a have province. The province would always be restricted to be less than or equivalent to the revenues of Ontario. That is most inappropriate. That is one example.

Mr. Vic Toews (Provencher, CPC): Mr. Speaker, I come from the province of Manitoba where, along with Saskatchewan and Alberta, in 1930 natural resources were constitutionally transferred over to those provinces. That was a good thing in terms of assisting development.

S. O. 31

As a representative from a so-called have not province, this is nothing that would hurt Manitoba. It is a good thing that Newfoundland and Labrador and Nova Scotia would be allowed to keep their own natural resources in the same way that Manitoba can, so they can develop their industries. The promise by the Prime Minister was 100%.

I am speaking on behalf of a so-called have not province. Why is that not good for Canada? It is good for every province. Perhaps the member could tell us why he thinks the Prime Minister does not agree with it?

Mr. John Duncan: Mr. Speaker, I think most members of Parliament would know the answer, which is the governing party would prefer to take with one hand and give with the other, so it retains control of the agenda. The government is doing that through clawbacks and other formulas that are not nearly as beneficial to allowing unilateral action by the provinces to benefit themselves with their own initiatives.

[*Translation*]

Mr. Stéphane Bergeron (Verchères—Les Patriotes, BQ): Mr. Speaker, it looks like my presentation will be broken up in sections, seeing as I will soon be interrupted for statements by members and then of course by oral question period. It will be my pleasure to complete my speech afterward.

Since the beginning of the debate this morning, I have had the opportunity to hear all sorts of arguments filled more with demagoguery than substance. I have heard Conservative colleagues from Newfoundland and Liberal colleagues from Newfoundland who clearly do not share the same view and, while claiming the best interests of Newfoundland, are clearly interested much more in their own political interests.

We on this side share the outrage of the Government of Newfoundland. We understand this outrage, because it is in response to the traditional arrogance of the Liberal government, which has once again betrayed and broken a promise it had made. That comes as no surprise to us. We are used to this kind of attitude on the part of the Liberal government.

I will give a few examples toward the end of my speech if I have any time left. In Quebec, we have had many opportunities to see this and previous Liberal governments make extremely generous promises to Quebeckers and back out once in office in cowardly fashion.

We do understand the outrage of Newfoundland. But at the same time we are finding it pretty amazing that, after so many years of Liberal government, anyone can still be surprised to realize that it is this government's trademark, so to speak, to make promises and then ignore them.

In fact, this attitude of the government party, which has become somewhat of an institution in Canada, is responsible for the very high level of cynicism for politicians in the population, the cynicism that the Prime Minister, when he was running for the leadership of the Liberal Party, claimed to want to eliminate by improving standards. But indications are that, as soon as he took office, he simply started repeating, imitating, copying the attitude of his predecessors. As my colleague from Saint-Hyacinthe—Bagot

indicated, before the election, he promised the moon to everyone but, once in office, of course, he changed his attitude.

We of course agree with the concerns of the Newfoundland government, but the Conservative motion now before the House is a very inaccurate reflection of these concerns. While we understand the outrage of the Newfoundland government, and while we share its concerns up to a point, there is no way we can support the motion, as it is worded. After oral question period, I intend to provide a more detailed explanation of the reasons why we will not support this motion.

In the meantime, I will simply say that we are opposed to this motion because we believe that the potential negative effects of it and, of course, those of any agreement that might be reached between the federal government and the Newfoundland and Nova Scotia governments, could be worse than the benefits of it, and this is true even for Newfoundland and Nova Scotia.

• (1355)

This debate gives me an opportunity to go back, if only briefly, to the first ministers' conference on health, which took place in September. All the participants came out of that conference boasting, congratulating each other and saying that they had accomplished a great deal. However, we on this side said that we would not consider the conference a real success until after the October 26 conference. Obviously, the results speak for themselves. I will get back to this after oral question period.

STATEMENTS BY MEMBERS

• (1400)

[*English*]

CREDIT CARD INTEREST RATES

Mr. Lui Temelkovski (Oak Ridges—Markham, Lib.): Mr. Speaker, the issue of high credit card interest rates in Canada is one that affects most Canadians. Users of credit cards can generally circumvent these exorbitant rates through the making of their money payments on time. However, for those who have, or maintain, for any reason, any balance on their credit cards they are subject to some of the highest credit card rates in the world.

Canadians carry an estimated \$50 billion on their credit cards. As parliamentarians we have a universal responsibility to Canadians as a whole to protect them from such greed by establishing more ethical, responsible and civilized parameters so that we may alleviate some of this unnecessary debt burden that affects so many Canadians.

[Translation]

INTERNATIONAL FILM FESTIVAL

Mr. Marc Lemay (Abitibi—Témiscamingue, BQ): Mr. Speaker, I would like to draw the attention of this House to the 23rd edition of the Abitibi—Témiscamingue international film festival, which finishes today. This well-attended festival is one of the most northerly celebrations of film from here and elsewhere, with a particular warm spot for Quebec productions.

The high quality of its organization, the originality and calibre of its programming, its special guests, the excellence of its media coverage, and the enthusiasm of its faithful audience make this festival a popular and respected event.

My thanks to the organizers, whose meticulous and imaginative preparations for this event make it an attraction every year for cinephiles and a source of pride for everyone in the region.

Congratulations and long life to the Festival du cinéma international en Abitibi—Témiscamingue.

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[English]

REMEMBRANCE DAY

Ms. Nancy Karetak-Lindell (Nunavut, Lib.): Mr. Speaker, Veterans Week and Remembrance Day will soon be upon us. The ranks of our wartime veterans are growing very thin. Soon we will have lost all our first-hand witnesses to the terrible and bloody conflict known as the war to end all wars.

World War I cost our very young country almost 66,000 of our men who gave up their lives on the blood soaked fields of France and Belgium.

Next week, as Canadians see the veterans marching proudly in Remembrance Day services across Canada, let us reflect upon the sacrifices made by these veterans on our behalf and remember those we no longer see, the veterans from the war to end all wars.

It is now up to us to pass on their story because if we do not, who will? Lest we forget.

* * *

CANADA-U.S. BORDER

Hon. Rob Nicholson (Niagara Falls, CPC): Mr. Speaker, recently the Prime Minister visited Niagara. While there, I urged him to investigate the difficulties we are facing at the border crossings in Niagara Falls, Niagara-on-the-Lake and Fort Erie.

The Canada-U.S. trading relationship is the largest in the world and it is absolutely essential that our borders remain open to the efficient flow of goods and services. One would have had to have been asleep for the last three years not to have noticed the continued slowdowns and tie-ups at our Canadian borders. There are problems with border capacity, labour issues with customs officers and security concerns, all of which require the immediate attention of the Government of Canada.

S. O. 31

The government's response has been the same for years. It is consulting with our American allies and it has plans to fix the situation.

Plans are a beautiful thing but plans alone will not solve the problem. I urge the government to get going and get the job done now because the health of the Canadian economy depends on it.

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PARAMEDICS

Mr. Wajid Khan (Mississauga—Streetsville, Lib.): Mr. Speaker, our paramedics play a vital and integral part in looking after the health of Canadians. Their timely response in times of emergency and the stresses of their everyday working environment merit more than a degree of respect. Working closely with police officers and firefighters, they are there when we need them most.

This is why I would urge the Government of Canada to show how much it and we respect our paramedics by revisiting the current rules for pension plans pursuant to Bill C-52 and adding paramedics to the list of public safety occupations.

Including paramedics in this definition would not only pay tribute to the realities of their profession, but also enable them to achieve parity with other emergency personnel, including firefighters and police, when negotiating unreduced early retirement at the age of 55.

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● (1405)

CANADIAN COUNCIL FOR ISRAEL AND JEWISH ADVOCACY

Ms. Anita Neville (Winnipeg South Centre, Lib.): Mr. Speaker, I rise today to acknowledge this week's historic conference, Democracy in Action, organized by the Canadian Council for Israel and Jewish Advocacy.

I want to acknowledge the right hon. Prime Minister, leaders of the opposition and hon. members who participated in this keynote event. At a time when anti-Semitism is on the rise here in Canada and when Israel is besieged by terrorism, it is imperative for the Jewish community to come together with a powerful voice, build bridges with all Canadians and engage the political leadership of this country in a constructive and thoughtful manner toward peace.

The conference was a success, bringing together advocates and politicians from across the country around a cohesive agenda.

I wish to congratulate CIJA organizers and its affiliate organizations on a job well done, and commit to work closely with the organizations in the future. I urge my colleagues to do the same.

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[Translation]

ORGANISATION DE VALLEYFIELD POUR LES PERSONNES ATTEINTES DE CANCER

Mr. Alain Boire (Beauharnois—Salaberry, BQ): Mr. Speaker, November 13 will mark the 20th anniversary of OVPAC, the Valleyfield organization for cancer patients.

S. O. 31

This organization has been recognized since 1984 for its devotion to the cause of cancer and the quality of the services it provides to people with cancer. In addition to helpful services, it takes over 500 patients a year to Montreal area hospitals for treatment.

One person who has devoted himself selflessly in these efforts is Réal Sarrault, who was only forced to give up during his final battle with his own cancer.

It is an honour for me today to pay tribute to all the men and women who, day in and day out, work in solidarity with their fellow citizens who are battling cancer. There is no limit to the generosity of heart of the OVPAC volunteers.

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[English]

HEALTH

Ms. Ruby Dhalla (Brampton—Springdale, Lib.): Mr. Speaker, it is a pleasure to welcome many of the chiropractors who are in Ottawa this week to meet with their federal representatives. I believe these meetings will provide an ideal opportunity for many hon. members in the House to learn about the integral role of chiropractics in the health care arena.

As a chiropractor, I have seen first-hand the benefit of chiropractic treatment for conditions such as back pain, neck pain and headaches. With musculoskeletal conditions, such as back pain, costing Canadians \$16.4 billion in treatment and rehabilitation costs, and in reduced workforce productivity, the chiropractic profession definitely has a key role to play in addressing many of the challenges that we experience in health care.

As the dynamics of health care change, it is imperative that all health care professionals work together in a multidisciplinary environment to provide Canadians with the highest quality of health care. I wish chiropractors across Canada much continued success in their noble profession.

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DIWALI

Mr. Deepak Obhrai (Calgary East, CPC): Mr. Speaker, Indo-Canadians from coast to coast will be celebrating Diwali, popularly known as the festival of lights, on November 12.

Diwali is celebrated all across the world because of its message of good triumphing over evil. Indo-Canadians celebrate by praying and sharing sweets on this joyous occasion.

I along with the India-Canada Association of Ottawa will host the sixth annual Diwali celebration on November 16 on Parliament Hill. This annual event brings Canadians from different backgrounds together, strengthening our bonds and understanding of each other.

This is an open invitation for all to come and enjoy Diwali with fellow Canadians. On behalf of my fellow parliamentarians, I wish all Indo-Canadians a happy Diwali.

ARTS AND CULTURE

Mr. Michael Savage (Dartmouth—Cole Harbour, Lib.): Mr. Speaker, this weekend in Dartmouth, many friends and supporters of Wendy Lill will gather to honour and pay tribute to this remarkable woman, my predecessor as MP for my riding.

Many members in the House know of the hard work and dedication she exhibited on behalf of her constituents. Her tireless efforts to help the poor and the disadvantaged are causes we all should champion. Her support of the disabled is an indication of her deep commitment to justice and equality.

Arts and culture were her profession and her passion. While I am at home next week I look forward to seeing her latest play, *The Fighting Days*, the story of Nellie McClung, at Eastern Front Theatre in Dartmouth.

While we all have partisan roles to play, Wendy's work must be regarded as stellar by everybody. Those of us who believe we must do more for the disadvantaged and who believe arts and culture are core to our Canadian values, pay tribute to her.

My family members are big fans of Wendy Lill, as were my late parents. I hope all members join me in saluting Wendy Lill for her dedication and service to Canada.

* * *

● (1410)

ABORIGINAL AFFAIRS

Mr. Pat Martin (Winnipeg Centre, NDP): Mr. Speaker, first nations and Métis veterans were cheated at the end of World War II and the Korean war and they continue to get cheated today.

It is well documented that aboriginal veterans did not receive the same education, land or resettlement benefits as other veterans. The government's own national round table on first nations veterans measured this shortfall in benefits to be approximately \$125,000 each.

Yet, in a shameful abdication of responsibility, the government has offered a paltry \$20,000 per person calling it a gesture of goodwill.

Time is running out for our first nations and Métis veterans to ever see justice from the government that they fought for.

I urge the government to reopen the file that is the sad history of Canada's treatment of its first nations veterans and compensate them or their survivors in an amount commensurate with the level of benefits extended to all of our proud veterans.

* * *

HEALTH

Mr. James Lunney (Nanaimo—Alberni, CPC): Mr. Speaker, a study published in the October 11 edition of the *Archives of Internal Medicine* provides dramatic evidence that care for chronic back pain and neuro-musculoskeletal problems by chiropractors is less costly and more effective.

The four year study of 1.7 million patients concluded that if all of those studied had chiropractic coverage total health care costs would drop by 12% due to a reduced use of hospital beds, drugs, X-rays and most important, a speedier recovery.

This study confirms studies done in Canada by Dr. Pran Manga of the University of Ottawa. In 1998 Dr. Manga calculated that Ontario alone would likely save \$548 million if it properly utilized chiropractic care. Extrapolated nationally, that would mean a savings of \$2.2 billion.

If Canada is going to lead the world in health care outcomes, we will need to implement effectiveness and cost effectiveness strategies. This latest study indicates that if all health care professionals were properly utilized, not only would there be no doctor shortage, we could also reallocate precious health care resources—

The Speaker: The hon. member for Haute-Gaspésie—La Mitis—Matane—Matapédia.

* * *

[*Translation*]

DAVID DESROSIERS

Mr. Jean-Yves Roy (Haute-Gaspésie—La Mitis—Matane—Matapédia, BQ): Mr. Speaker, when we are young, we want to make our dreams of the future come true. But for someone who is only 24 and has just realized a dream that was expected to take many years to achieve, there is a real triumph.

That is what happened to David Desrosiers, who grew up in Matane and has become a vocalist and bass player in the group Simple Plan, known all over the world for its power pop music. Simple Plan sold 3 million copies of its first disc and launched its second album on October 26.

As soon as David joined this team of Quebec francophone musicians, the group was impressed by his talent, stage presence, sense of humour and easy rapport with the audience.

David Desrosiers is the pride of all who know him in Matane and an example to young people that dreams are worth believing in.

Congratulations, David, and lots of success in your international music career.

* * *

[*English*]

HEALTH

Mr. Steven Fletcher (Charleswood—St. James—Assiniboia, CPC): Mr. Speaker, I am finding it difficult to convey, in a parliamentary manner, my disappointment in the Liberal government.

Yesterday the Liberals talked out a motion to compensate the victims of hepatitis C from tainted blood. The Liberals claim they are compassionate and that they are looking out for the best interests of these people.

S. O. 31

The Liberal government is wrong. It is not compassionate. When it is presented with opportunities to do the right thing, it does the opposite.

The fact is that if the government wanted those victims of tainted blood to be compensated, they would be. However the government blocks every attempt to compensate these victims.

The government can act immediately and begin compensating victims who have been left out. It is what yesterday's motion called for and everyone but the Liberal government agreed on.

This issue is a tragedy of massive proportions. I still cannot grasp the reasoning of the government as to why all the victims are not compensated.

I urge the minister to do the right thing and begin the compensation process. It is only fair and the victims deserve it.

* * *

THE ENVIRONMENT

Mr. Mario Silva (Davenport, Lib.): Mr. Speaker, many visitors to Toronto who travel along the waterfront will see the city's first wind turbine prominently situated on the grounds of Exhibition Place.

As chair of Exhibition Place, I was pleased to be instrumental in the construction of this wind turbine. Now, as the member for Davenport, I am pleased to support the government's commitment to wind power, one of the most promising sources of renewable energy.

Through the wind power production program, the government is demonstrating its resolve to ensure that Canada becomes a world leader in the area of wind energy.

On November 1 the Minister of the Environment confirmed his commitment to the development of renewable energy sources. The government is committed to quadruple the size of the wind production program.

Wind power is one of the most promising renewable energy technologies. It is indeed a noble goal that the government has adopted to make Canada a world leader in this area.

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●(1415)

GORDON FAIRWEATHER

Mr. Rob Moore (Fundy Royal, CPC): Mr. Speaker, I rise to honour a great Canadian from my riding of Fundy Royal in New Brunswick.

This riding was represented in the House by Gordon Fairweather who had served in the New Brunswick legislature for 10 years before being elected member of Parliament in 1962. He was New Brunswick's attorney general from 1958 to 1960. He went on to sit in this chamber for 15 years and he won a remarkable six consecutive elections. After serving in the House he became the first chief commissioner of the Canadian Human Rights Commission.

Oral Questions

Still today he continues to have honours bestowed upon him. Gordon and his late wife, Nancy, summered for 50 years at Long Reach on the Kingston peninsula. They crossed by cable ferry to their home in Rothesay on a regular basis.

It was my privilege to join with his many friends and admirers on October 22 of this year at a ceremony christening the new 24 car cable ferry plying the beautiful Kennebecasis River between Gondola Point and Reeds Point on the Kingston peninsula. The state of the art ferry was built by Irving Shipbuilding and is named *RGL Fairweather*.

ORAL QUESTION PERIOD

[English]

CANADA-U.S. RELATIONS

Hon. Stephen Harper (Leader of the Opposition, CPC): Mr. Speaker, we have yet another anti-American outburst from the member for Mississauga—Erindale. The Prime Minister said yet again that these kinds of comments are unacceptable, but he sends mixed messages by continuing to accept such members and their statements in his caucus.

My question is simple. Are the member's statements acceptable and she will remain in the Liberal caucus, or are they unacceptable and she will be finally removed from the Liberal caucus?

Right Hon. Paul Martin (Prime Minister, Lib.): Mr. Speaker, the hon. member's statements were unacceptable. Those statements are not reflective of the government's position, nor are they statements that are acceptable to our caucus.

I would simply ask the hon. member opposite about the comments his members have made about the Charter of Rights, bilingualism and a vast number of Canadian values.

* * *

SPONSORSHIP PROGRAM

Hon. Stephen Harper (Leader of the Opposition, CPC): Mr. Speaker, these are the same old responses and no bottom line.

[Translation]

On another subject, in a letter dated May 12, 1995, sent by Mr. Pednault to Chuck Guité, we learn that the current Prime Minister was the only minister not abiding by the rules for awarding contracts.

When did the Prime Minister learn that his office was favouring his friends?

Right Hon. Paul Martin (Prime Minister, Lib.): Mr. Speaker, when we examine the letters and testimony, it is very obvious that what the Department of Finance wanted was to have a genuinely open and transparent system, and that is where the difference lies.

We are still in favour of an open and transparent system.

[English]

Hon. Stephen Harper (Leader of the Opposition, CPC): Mr. Speaker, the Prime Minister has given those answers before. The problem is that this latest document shows once again that the Prime Minister was not providing that kind of leadership. In fact, he was

the only minister breaking the contracting rules, according to the complaint.

When did the Prime Minister learn that his office was breaking contracting rules in favour of his friends at Earncliffe?

Right Hon. Paul Martin (Prime Minister, Lib.): Mr. Speaker, consistently the Leader of the Opposition and his colleagues have stood up, have made mistakes and they have had to swallow themselves whole the next day.

That is why the hon. member should not try to subvert the Gomery commission, but let the Gomery commission do its work.

Mr. Peter MacKay (Central Nova, CPC): Mr. Speaker, in a 1995 letter, businessman Paul Pednault of Sponsorium International complained to Chuck Guité that Treasury Board rules were being broken in a selection of ad agencies. He said that the Minister of Finance's office was the only one influencing the selection based on political affiliation.

The minister in question is the Prime Minister. How can the Prime Minister continue to claim he knew nothing about rules being broken in favour of Liberal friendly agencies when it was his own office that was breaking them?

• (1420)

Hon. Scott Brison (Minister of Public Works and Government Services, Lib.): Mr. Speaker, the fact is that officials at the Department of Finance intervened in this letter to actually seek a more competitive process for the advertising of the Canada savings bond program.

This is another case where the opposition is getting its facts wrong. Its members are making mistakes based on testimony or commentary on day to day testimony. It is a manipulative use of selective day to day testimony.

It is inappropriate for members of the House to be trying to operate a parallel Gomery inquiry when the Gomery inquiry is working and we should allow it to do so.

Mr. Peter MacKay (Central Nova, CPC): Mr. Speaker, the only one getting it wrong is the recently anointed shield for the Prime Minister.

[Translation]

In a letter to Mr. Guité, it is made clear that the Minister of Finance imposed his choice of agencies and that this choice was made on the basis of political affiliation. No party affiliation, no contract. We can now see where the connection is with the source of the interference and the Liberal preferences.

Did the Prime Minister also have his favourites?

[English]

Hon. Scott Brison (Minister of Public Works and Government Services, Lib.): Mr. Speaker, it is understandable why in today's *National Post* it is written:

[The Gomery inquiry] is an environment far more conducive to finding out what happened inside the Public Works department in the mid- to late-1990s than the adversarial public accounts committee, where...more time was spent making partisan points than "getting to the bottom" of the [issue].

Oral Questions

We have the Gomery inquiry to get to the bottom of this issue. It is working, and the fact is that the hon. member and others who prejudge the work of Justice Gomery are jeopardizing the important work that he is doing on behalf of Canadians.

[*Translation*]

Mr. Gilles Duceppe (Laurier—Sainte-Marie, BQ): Mr. Speaker, in May 1994, Terrie O'Leary, the present Prime Minister's executive assistant, intervened in the selection process for communications agencies on behalf of Ekos, a partner of Earncliffe, the Prime Minister's favourite company, and the source of his advisers David Herle, Scott Reid, Elly Alboim and Mike Robinson.

The Prime Minister has Terrie O'Leary's memo in hand; I had it given to him at the start of oral question period. Is he going to admit that he also brought political direction to bear, as Jean Chrétien did, on the sponsorship scandal?

Right Hon. Paul Martin (Prime Minister, Lib.): Mr. Speaker, once again, I repeat, what happened is that the Department of Finance wanted a more open process, a more transparent process, with far more competition. That was the Department of Finance's position, and that is what it ought to have been.

Mr. Gilles Duceppe (Laurier—Sainte-Marie, BQ): Mr. Speaker, we will get back to open competition and transparency later. What is clear is that Ms. O'Leary is very transparent: she proposes a company very close to the PM. That company is Earncliffe.

Will the Prime Minister acknowledge that he and Terrie O'Leary are the ones who opened the door, or paved the way, for the Ekos-Earncliffe team to obtain a \$300,000 contract? This is not testimony. It is a fact. I have sent him the memo, and he has it in his hands. It comes from his office. I am sure this is not the first time he has seen it.

Right Hon. Paul Martin (Prime Minister, Lib.): Mr. Speaker, if the hon. member wanted to follow this matter, it is still very clear that it was totally in the hands of public servants. There was a difference of opinion on the balance between quality and price, but I must repeat, this was all administered by public servants.

Mr. Michel Guimond (Montmorency—Charlevoix—Haute-Côte-Nord, BQ): Mr. Speaker, the 1994 letter from the executive assistant of the then Minister of Finance, Terrie O'Leary, and the success, in 1995, of Ekos and others in securing contracts show how efficient the current Prime Minister and his executive assistant were in ensuring preferential treatment for his pals.

How can the Prime Minister maintain that he knew nothing, when his executive assistant wrote letters on his behalf to secure contracts for personal friends, and this approach was successful?

•(1425)

[*English*]

Hon. Scott Brison (Minister of Public Works and Government Services, Lib.): Mr. Speaker, in terms of this specific case, the Department of Finance has already responded. The department has said that the matter was between public works officials and Department of Finance officials. It was a legitimate difference of opinion in terms of the difference between best value and lowest price.

It is notable that the opposition obtained this document through the Gomery inquiry. This is more evidence of the fact that the Justice Gomery inquiry is working and the opposition ought to allow it to do its work and not manipulatively comment on selective testimony.

[*Translation*]

Mr. Michel Guimond (Montmorency—Charlevoix—Haute-Côte-Nord, BQ): Mr. Speaker, when he was questioned previously on such contracts awarded to personal friends, the Prime Minister maintained that the contracts in question were the result of a clear and transparent award process.

Will the Prime Minister admit that what is clear is that he intervened in connection with advertising contracts, and what is transparent is that we can see now that he interfered in favour of Earncliffe, a firm very close to him?

[*English*]

Hon. Scott Brison (Minister of Public Works and Government Services, Lib.): Mr. Speaker, once again I do not think the hon. member heard my answer. Perhaps he was given a pre-written supplementary question, but he should listen to the answers. Then maybe he would think a little before he stood up and asked another stupid question about the same issue when in fact the answer is—

Some hon. members: Oh, oh!

The Speaker: The Minister of Public Works and Government Services is well aware that we never have stupid questions or stupid answers in the House. If we got into that, we would have real difficulty maintaining order in the House. He will not want to get into that today. We will have no stupid questions.

[*Translation*]

The hon. member for Montmorency—Charlevoix—Haute-Côte-Nord asked a question. This is a question, which the minister will no doubt answer, and I would urge him to do so without making any references to intelligence or anything of the sort.

[*English*]

Hon. Scott Brison: Mr. Speaker, I withdraw the word “stupid” from my response.

The hon. member and all members of the House would be better served if he were to listen to the good responses to his good questions and then ask a better supplementary question.

* * *

NATIONAL DEFENCE

Mr. Jack Layton (Toronto—Danforth, NDP): Mr. Speaker, during the election the Prime Minister claimed that his values came from the same wellspring as ours.

Pierre Trudeau shared our values when he said no to the Vietnam war. Jean Chrétien shared our values when he said no to the war in Iraq. The Prime Minister does not seem to know whether he shares our values or those of George Bush.

Can he tell us now why, when he asked Canadians to support him, he did not tell them he was going to lead them down the road to George Bush's next arms race?

Oral Questions

Right Hon. Paul Martin (Prime Minister, Lib.): Mr. Speaker, during the election campaign we talked in terms of foreign policy about a new multilateralism. We talked about creating a leadership of nations capable of dealing with the elimination of poverty. We talked about the need for international action on the environment. We talked about the need to deal with the very real structural problems that exist within Africa. We talked about the need to reform the United Nations.

We are acting in each of those areas.

Mr. Jack Layton (Toronto—Danforth, NDP): Mr. Speaker, quite clearly, star wars is not multilateralism in action. This Prime Minister is no Lloyd Axworthy, that is for sure.

Canadians have a growing fear of George Bush and his next step. His next step is militarization that is going to increase the arms race.

My question is for the Prime Minister. Does star wars represent Canadian values or George Bush's values?

Hon. Pierre Pettigrew (Minister of Foreign Affairs, Lib.): Mr. Speaker, it is quite important to understand that the ballistic missile defence system that the Americans have decided to implement was not an issue supported only by President Bush. It was also supported by Senator Kerry. It is important that the leader of the NDP realize that. It was not an issue in the last campaign in the United States.

As far as we are concerned, the Prime Minister has defined our foreign policy. We are working on it and we will continue to work on it. We will have discussions with the Americans in terms of the best possible way of getting Canada to ensure its defence in North America.

* * *

• (1430)

SPONSORSHIP PROGRAM

Mr. Monte Solberg (Medicine Hat, CPC): Mr. Speaker, in 1995 the government's open bidding system tendered a \$600,000 contract for the Canada investments and savings advertising campaign which was overseen by the Department of Finance. Although DJC Research had the lowest bid, the contract was split in half and a \$300,000 contract was instead given to Ekos "in order to satisfy the wishes of finance". Surprise, Earncliffe was part of the Ekos team.

Why does the Prime Minister not admit that he funnelled the \$300,000 rigged contract through Ekos to pay off his buddies at Earncliffe?

Hon. Scott Brison (Minister of Public Works and Government Services, Lib.): Mr. Speaker, in this specific case the Department of Finance has answered the hon. member's question. This was a situation handled entirely by public servants at both finance and public works. There was a legitimate difference of opinion in terms of best value versus lowest price, and that is not new to the procurement process.

It is notable again that the opposition gained access to this document through the work of Justice Gomery. That is why it is clear that Justice Gomery's work is proceeding well, and the opposition ought to allow him to do exactly that.

Mr. Monte Solberg (Medicine Hat, CPC): Mr. Speaker, it is also a document that was not made available to the public accounts committee because the government was hiding information.

The \$300,000 is just the tip of the iceberg. Access to information requests show that Ekos and Earncliffe have picked up over \$5 million in contracts from Canada investments and savings since finance directed things its way going back to 1995. We just have to love those Liberal values.

Which is it? Does the Prime Minister want clean government or does he just want his friends to clean up in government?

Hon. Scott Brison (Minister of Public Works and Government Services, Lib.): Mr. Speaker, that is another well choreographed but poorly researched question from the opposition.

The Department of Finance did intervene from time to time, in fact, to actually broaden the level of competition for advertising and services. This was clearly a case that if the hon. member were to really look at the facts, he would recognize that public servants in this case were working together to achieve best value on behalf of Canadians.

He is actually making scurrilous commentary on the floor of the House of Commons and is engaged in a witch hunt that is doing damage to the Gomery process.

* * *

CANADA-U.S. RELATIONS

Mr. Stockwell Day (Okanagan—Coquihalla, CPC): Mr. Speaker, the Prime Minister hinted today that he does not agree with the Liberal statement that Americans are psychologically messed up.

Will he disavow any of these other Liberal statements like the one comparing U.S. policy to "Nazi aggression in Europe"; this Liberal foreign policy gem, "We will have to rewrite history so that Pearl Harbor is no longer described as an atrocity"; or a minister comparing American trade groups to cancer and another minister saying, "We are surrounded with a certain menace, starting with the United States"?

Will the Prime Minister help us understand which of these are actual Liberal positions and should be supported, and which are not and should be disciplined?

Hon. Pierre Pettigrew (Minister of Foreign Affairs, Lib.): Mr. Speaker, I know the opposition takes great pleasure in trying to demonstrate that we do not work well with the United States. I know that the opposition takes pleasure in drawing attention to some—

Some hon. members: Oh, oh!

Oral Questions

The Speaker: Order. We have to be able to hear the minister's response. I know that everyone likes to help the minister with his answers and applaud certain statements, but we must be able to hear what the minister says. He was asked a question, and the member for Okanagan—Coquihalla is on the edge of his seat, waiting to ask a supplementary. How can he do that if he cannot hear the answer?

The minister has the floor.

Hon. Pierre Pettigrew: Mr. Speaker, this is the government that has negotiated the smart border with the United States which is helping our commerce and trade. This is the government that has been working with the United States to fight terrorism on the North American continent. This is the government that has worked with the Americans and other members of the international community to bring back stability in Afghanistan. This is the government that is working in Haiti alongside—

• (1435)

The Speaker: The hon. member for Okanagan—Coquihalla.

Mr. Stockwell Day (Okanagan—Coquihalla, CPC): Mr. Speaker, we would like to see some smart MPs along with those smart borders.

While the Prime Minister begs his MPs to hide their prejudices, they continue to defy him. Yesterday the Minister of Foreign Affairs said not to worry about these harmful statements, they come from “obscure MPs”.

As these MPs continue these harmful statements, what specific steps is the Prime Minister prepared to take to accelerate their obscurity?

Hon. Pierre Pettigrew (Minister of Foreign Affairs, Lib.): Mr. Speaker, it has been the daunting task of the leader of the official opposition to change the prejudices of a number of backbenchers he has on his side. Those prejudices on the charter of rights and the number of prejudices have resulted in many of his prominent spokesmen from the past Parliament to be seated way back, precisely because he is trying to change the image of his party.

I can tell members one thing. We will work with the Bush administration in the best interests of Canada.

* * *

[Translation]

SPONSORSHIP PROGRAM

Mr. Benoît Sauvageau (Repentigny, BQ): Mr. Speaker, the Prime Minister is a very active man. According to this same document from the Gomery commission, in February 1995, the Department of Finance arranged for Earncliffe to receive a \$30,000 contract that the Department of Justice wanted to award to Pierre Bélisle.

Will the Prime Minister confirm that his political staff, when he was at finance, intervened directly so that the contract would be awarded to Earncliffe, a company that is part of his circle of very close friends?

[English]

Hon. Scott Brison (Minister of Public Works and Government Services, Lib.): Mr. Speaker, there was a wide range of contracting

activity seeking advertising and polling information. These were done within Treasury Board guidelines.

I would urge the hon. member to once again wait for the Gomery inquiry to conclude its work, for the report to be tabled, and for all Canadians to benefit from getting to the bottom of this issue. That would be far better than using day to day testimony as fodder for partisan rhetoric on the floor of the House of Commons.

[Translation]

Mr. Benoît Sauvageau (Repentigny, BQ): Mr. Speaker, I dare not describe the quality of this response. I will try again.

This same company also received attentive service from another close friend of the Prime Minister, the current Minister of Finance, who, in August 1995, arranged for a \$50,000 contract to be awarded to Earncliffe to conduct a survey in the Department of Agriculture and Agri-Food.

Can the Minister of Finance deny that he too personally intervened to again favour Earncliffe?

[English]

Hon. Scott Brison (Minister of Public Works and Government Services, Lib.): Mr. Speaker, once again the opposition is making the same basic allegation. It is commenting on testimony and Gomery documents.

I am actually going to talk a little bit about some of the success stories within the Department of Public Works. Recently, the French minister of state for reform said that he thought France could save a lot of money by paying closer attention to government purchases and using one stop shopping like we are doing in Canada.

The Government of France is recognizing that the Department of Public Works in Canada is a best practice model for actually changing the approach in France.

[Translation]

Mr. Michel Gauthier (Roberval—Lac-Saint-Jean, BQ): Mr. Speaker, Terrie O'Leary, the current Minister of Finance, Earncliffe, and all these fine people have one thing in common: they are all in the Prime Minister's inner circle and they were very active in the sponsorship file in 1994-95, some giving out contracts, others benefiting from them.

This is my question: does the Prime Minister not realize that his defence of not knowing what was going on in the sponsorship file does not hold water, and that what we are learning, especially in the Gomery commission, is that in fact his team never missed an opportunity to be very active in awarding contracts?

[English]

Hon. Scott Brison (Minister of Public Works and Government Services, Lib.): Mr. Speaker, once again, we have on the floor of the House of Commons opposition members trying to create a parallel Gomery inquiry instead of respecting the independence of the judicial inquiry, and allowing Justice Gomery to do his work to get to the bottom of the issue and to serve Canadians effectively by providing the truth.

Oral Questions

I do not know what the opposition has against Justice Gomery doing his work and getting to the bottom of the issue. We are not afraid of the truth in this government.

• (1440)

[*Translation*]

Mr. Michel Gauthier (Roberval—Lac-Saint-Jean, BQ): Mr. Speaker, what the opposition is trying to do is not to bring the Gomery commission in here; it is to get the truth out of the Prime Minister and the government. That is what we are trying to do.

Is the Prime Minister finally going to admit—

Some hon. members: Oh, oh!

The Speaker: Order, please. No member would want to waste the time allotted for oral questions, even though that is what is happening at the moment.

The hon. member for Roberval—Lac-Saint-Jean.

Mr. Michel Gauthier: Mr. Speaker, is the Prime Minister finally going to admit that what we are learning from the Gomery commission is there were two streams, two lines of influence and leadership at the time both in the government and in the Liberal Party; there was the Chrétien-Pelletier-Gagliano line and then there was the line connecting the current Prime Minister, Terrie O'Leary and the Minister of Finance—

The Speaker: I am sorry to interrupt the hon. member for Roberval—Lac-Saint-Jean, but the hon. Minister of Public Works and Government Services has the floor.

[*English*]

Hon. Scott Brison (Minister of Public Works and Government Services, Lib.): Mr. Speaker, the opposition is making a grievous error by commenting on day to day testimony.

Part of a headline in today's *Ottawa Citizen* actually said, "Testimony differs dramatically", and it does. On a day to day basis the testimony varies. One testimony will be contradicted by another. One document in fact can be contradicted by another. That is why it is so critically important that we allow Justice Gomery to do his work, not interfere in a judicial inquiry, and respect that independence.

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AGRICULTURE

Mr. Charlie Penson (Peace River, CPC): Mr. Speaker, yesterday in reaction to the re-election of President Bush, the Prime Minister said he plans to raise a number of issues that have been on the back burner, including the border closure to Canadian livestock.

Canadian livestock and cattle producers are tired of the Liberal government neglecting their industry on the BSE trade dispute. Many have resorted to taking matters into their own hands and have mounted their own NAFTA challenge because the government has refused to support them.

Why has the government treated the BSE crisis as a back burner issue?

Hon. Andy Mitchell (Minister of Agriculture and Agri-Food, Lib.): Mr. Speaker, that is absolute nonsense. There have been over

150 separate occasions where we have intervened with the Americans specifically on the BSE issue. That is hardly on the back burner. I talked to the U.S. ambassador yesterday about this issue and talked to the secretary of agriculture just a few hours ago.

Mr. Charlie Penson (Peace River, CPC): Mr. Speaker, two things are certain. First, until the border is fully reopened, Canadian livestock producers and their communities will continue to suffer economic hardship and loss. Second, anti-American and anti-Bush comments from this Liberal government only aggravate an already strained Canada-U.S. relationship.

When will the Prime Minister get serious about the BSE crisis and slap down those in his caucus who hurt Canadian interests by bad mouthing the United States?

Hon. Andy Mitchell (Minister of Agriculture and Agri-Food, Lib.): Mr. Speaker, when the hon. member talks about what this government has done in respect of supporting those communities, there have been four separate initiatives, collectively with the provinces and totalling over \$2 billion, that have been undertaken to assist our beef producers and the industry.

On this side of the House we are not concerned about the anti-rhetoric we hear from them every day. We are interested in getting results and making investments for our beef producers, and that is what we are doing.

Ms. Diane Finley (Haldimand—Norfolk, CPC): Mr. Speaker, with the U.S. border still closed to Canadian livestock, increasing slaughter capacity should be a priority of the government. However, \$38 million allocated for loan loss reserves is not getting shovels in the ground for even one processing facility, let alone stimulating an entire industry.

When will the government provide real incentives for increased slaughter capacity so the Canadian livestock industry can process Canadian ruminants?

Hon. Andy Mitchell (Minister of Agriculture and Agri-Food, Lib.): Mr. Speaker, as I said yesterday in answer to similar questions, we do have a very aggressive strategy for ensuring that we can expand slaughter capacity.

First, we have provided CFIA with the additional resources it needs in order to undertake the inspection and regulatory process. Second, we have provided a loan loss reserve so there can be investment from the private sector, encouraged by the investments from the public sector, to close that gap.

Presently in Canada we slaughter some 81,000 animals per week. We are working to reach a level of 100,000, which is estimated to be the amount we should.

• (1445)

Ms. Diane Finley (Haldimand—Norfolk, CPC): Mr. Speaker, the fact is the structure of the loan loss reserve program does not encourage investment in new abattoirs. Even with the border opening, cull cows will still not be accepted by the United States.

Why will the Minister of Agriculture not aggressively promote the building of slaughterhouses for cattle over 30 months of age?

Oral Questions

Hon. Andy Mitchell (Minister of Agriculture and Agri-Food, Lib.): Mr. Speaker, the details and the terms and conditions of the loan loss reserve were provided to the financial institutions last week. I took the opportunity to talk to each one of those financial institutions to discuss the particular terms and conditions. In fact I will be holding another collective meeting with those institutions tomorrow.

* * *

NATURAL RESOURCES

Mr. Scott Simms (Bonavista—Gander—Grand Falls—Windsor, Lib.): Mr. Speaker, my question is for the Minister of Natural Resources. I would like him to comment on what is fast becoming a critical juncture in the history of Newfoundland and Labrador.

Could the minister provide the House with an update on what is currently happening between the province and the Government of Canada? Also, could he tell us where the resources are now and how much revenues the Government of Newfoundland and Labrador currently receives?

Hon. R. John Efford (Minister of Natural Resources, Lib.): Mr. Speaker, the government has been working very hard on this file. Up until the present day, the Government of Newfoundland and Labrador is receiving 100% of the revenues and 30% in the offset clause, which is no transfer of equalization. The remaining 70% is on a declining formula. The offer on the table today is 100% of the revenues plus the equalization plus the 30% plus the 70% until it reaches the Ontario level, and then it will still keep receiving 100% of the revenue and a—

The Speaker: The hon. member for Hamilton Centre.

* * *

SPONSORSHIP PROGRAM

Mr. David Christopherson (Hamilton Centre, NDP): Mr. Speaker, we now know there are documents which prove the Prime Minister's former executive assistant knew that part of a \$600,000 contract that had been awarded fairly to one contractor was overridden by someone in the finance department to direct it to the Prime Minister's friends at Earnscliffe.

The minister today says that this is just a legitimate difference of opinion. What does the minister say to Canadians who think those are just code words for more Liberal political chicanery?

Hon. Scott Brison (Minister of Public Works and Government Services, Lib.): Mr. Speaker, the Department of Finance has responded to this. This was a matter handled by public servants in finance and public works. There was a legitimate difference of opinion and that difference of opinion was based on the whole idea of best value versus lowest price.

Let it be noted that the NDP is attacking the integrity of our good public servants in Canada. We are proud of our public servants and of the work they do. I would ask the hon. member from the NDP to stop besmirching the reputation of our public service.

Mr. David Christopherson (Hamilton Centre, NDP): Mr. Speaker, if the minister would start providing some legitimate answers to the House, we would not have to listen to the minister

misconstrue statements and put accusations where they do not belong.

This is about the minister, his Prime Minister and the party that he represents. You owe Canadians an explanation as to what is going on—

• (1450)

The Speaker: The hon. member for Hamilton Centre has had a lot of experience in the Ontario legislature where I know this kind of mistake can happen, but we do not have this type of error here in the House of Commons. I know he intended his remarks for the minister, but I would encourage him to address them to me and via me to the minister. I cannot offer explanations of the sort he is demanding.

Mr. David Christopherson: Mr. Speaker, could the minister inform the House how many other contracting decisions are being reversed by Liberal staffers, since that seems to be standard government practice?

Hon. Scott Brison (Minister of Public Works and Government Services, Lib.): Mr. Speaker, I will not comment on day to day testimony. However, I will point out that testimony can vary widely. In fact today we had somebody before the Gomery commission who said this afternoon, "I want to correct what I said this morning. No department interfered in the selection process". We have an example where one afternoon's testimony contradicts the same individual's morning testimony. That is what happens if we comment on day to day testimony.

* * *

AGRICULTURE

Mr. David Anderson (Cypress Hills—Grasslands, CPC): Mr. Speaker, the government has failed beef producers at every turn. Ranchers have tried for at least 18 months to open producer initiated packing plants. The Canadian Food Inspection Agency has hindered them at every turn, dragging out regulation after regulation.

When will the agriculture minister clear the path? When will he remove the CFIA as the industry's main obstacle to increasing Canadian cull cow slaughter capacity?

Hon. Andy Mitchell (Minister of Agriculture and Agri-Food, Lib.): Mr. Speaker, we will not remove the CFIA from protecting the health and safety of Canadians. That is an absolute. There is a need at the same time to operate administratively efficiently and to operate in a way where we can encourage and work with proponents. That is exactly what we intend to do, but we will not put at risk the health and safety of Canadians.

Mr. David Anderson (Cypress Hills—Grasslands, CPC): Mr. Speaker, the CFIA has thrown roadblocks in the path of producers. Unnecessary regulations such as requiring paved parking lots, changing floor drain sizes, moving walls four feet and complaining about the size of the offices of the CFIA bureaucrats have all been used to keep cattlemen from opening their own facilities.

It is crucial that we increase slaughter capacity immediately. Why will the agriculture minister not force the CFIA to work cooperatively with producers so we can begin to dig our way out of this BSE black hole?

Oral Questions

Hon. Andy Mitchell (Minister of Agriculture and Agri-Food, Lib.): Mr. Speaker, let me be very clear. In those instances where there are regulatory necessities that need to be undertaken and that are not critical to health and safety, obviously we will work with the proponents. That will not hold up a licensing process. However, on the core issues that deal with the health and safety of Canadians, CFIA will ensure that those regulations to protect Canadians are enforced and adhered to.

Mr. Gerry Ritz (Battlefords—Lloydminster, CPC): Mr. Speaker, the Liberal government has been consistent over the last decade in announcing unworkable agricultural programs. Then when Canadian producers try to move ahead on their own, every door they open reveals a government inspector with a stop sign.

How can the minister justify his CFIA minions' unwarranted stalling of increased domestic slaughter capacity for cull cows that has nothing to do with health and safety but paving parking lots?

Hon. Andy Mitchell (Minister of Agriculture and Agri-Food, Lib.): Mr. Speaker, obviously the member was not listening to the previous answer. On those regulatory issues that do not deal directly with health and safety, they will not be put in the way of ensuring that licensing comes forward. However, on those issues that deal directly with the health and safety of Canadians, CFIA officials have an obligation, and I support that obligation, to protect the health and safety of Canadians. They will not compromise on that.

• (1455)

Mr. Gerry Ritz (Battlefords—Lloydminster, CPC): Mr. Speaker, for years Canadians endured the grey fog rolling out from those benches on the opposite side, and I would certainly prefer that to the dense fog we are getting from the minister there today.

Producers would like the minister to stop hiding behind his own self-serving press releases and investigate what his bureaucrats are really doing. Who is in charge over there? Will the minister admit that every announcement he has made has been undermined by his own government and the roadblocks it throws up to prevent producer-driven processing?

Hon. Andy Mitchell (Minister of Agriculture and Agri-Food, Lib.): Mr. Speaker, that is nonsense. There has been over \$2 billion of assistance to the beef industry in the country. If the hon. member would take a look at the estimates from last year, he would see \$4 billion of funding to producers.

On this side of the House, we are not interested in the empty rhetoric and the fancy speeches over there. We are interested in real things that help producers with real investment. That is what we are doing. That is what we will continue to do.

* * *

[Translation]

INTERNATIONAL AID

Ms. Francine Lalonde (La Pointe-de-l'Île, BQ): Mr. Speaker, at a CIDA conference this week, Stephen Lewis, special advisor to Kofi Annan on AIDS and former Canadian ambassador to the UN, gave a brilliant speech on the need for developed countries to contribute 0.7% of the GDP if they want to achieve the millennium objectives of reducing hunger and AIDS and providing access to education and to safe drinking water.

When will the Martin government do its fair share to achieve these millennium objectives?

The Speaker: The hon. member for La Pointe-de-l'Île is well aware that it is unacceptable in the House to refer to a member by name. She must not do so, and I suggest that the next time she refer to members by title or riding name.

The hon. Minister for International Cooperation.

[English]

Hon. Aileen Carroll (Minister of International Cooperation, Lib.): Mr. Speaker, we have just received at CIDA an 8% budget increase last year and this year. That means we will be doubling our budget by the year 2010. We have a large and important commitment by the Prime Minister and the government to give us resources to effectively work with other donors, other countries and the UN to achieve the millennium development goals. It has a great deal to do with effectiveness and our resolve. I am very comfortable with the directions and the resources that I have.

[Translation]

Ms. Francine Lalonde (La Pointe-de-l'Île, BQ): Mr. Speaker, Stephen Lewis pointed out that Canada will rank 25th out of the 29 OECD contributors of international aid by the end of 2006. The apparent desire to achieve the millennium development goals will be nothing but an illusion if Canada does not move quickly to bring its international aid up to the 0.7% level.

Will the Prime Minister at last make a firm commitment to achieve 0.7% of GDP at least by 2015 in response to the cries of desperation—

The Speaker: The hon. Minister for International Cooperation.

[English]

Hon. Aileen Carroll (Minister of International Cooperation, Lib.): Mr. Speaker, we could play the game of numbers, but I think that instead we should listen carefully to what Mr. Stephen Lewis said. He speaks to the reduction of poverty. He speaks to the commitment that my agency and this government have to that reduction worldwide. I can mention, if we want statistics, that in 2003 Canada ranked eighth among OECD members by ODA volume. I can tell members it is fourth among G-8 members by ODA GPI, but really I think it is about coherency, effectiveness and our commitment to world poverty.

NATIONAL DEFENCE

Mr. Gordon O'Connor (Carleton—Mississippi Mills, CPC): Mr. Speaker, yesterday at the defence committee the Minister of National Defence was asked how long it would take to recruit and train the 5,000 soldiers promised in the Liberal election platform and about the related costs. The committee was advised that it will take five to six years to implement the manpower increase and the costs at this time are unknown.

Will the Minister of National Defence advise the House why the Prime Minister and the Liberal Party made an election promise to Canadians that they did not cost and cannot keep in their current mandate?

• (1500)

Hon. Bill Graham (Minister of National Defence, Lib.): Mr. Speaker, the hon. member is extremely experienced in matters of the military and he knows we are not going to recruit 5,000 people in the first year. What I said in committee yesterday was that we are not going to recruit everybody in the first year but we are going to begin right now.

The government has promised it is going to have fresh money in the budget to enable us to recruit 5,000 new members of the armed forces plus 3,000 new reserves. This is one of the biggest investments the Government of Canada has made in our military in years. I think the member should be proud of it rather than attacking it.

Mr. Gordon O'Connor (Carleton—Mississippi Mills, CPC): Mr. Speaker, we were not talking about one year; we were talking about six. I wonder if the minister understands his government's election commitment to Canadians. A promise implemented two elections from now is no promise. Will the Minister of National Defence confirm that the 5,000 soldiers promised by the Liberal government represent a true baseline increase to the forces, that is, a total of 65,000, and that it will happen in this mandate?

Hon. Bill Graham (Minister of National Defence, Lib.): Mr. Speaker, I am not going to make irresponsible promises. The military have told us that they will be—

Some hon. members: Oh, oh!

The Speaker: I am sure the Minister of National Defence appreciates the help with his answer, but I cannot hear him and he sits very close to me. There is simply too much noise. The Minister of National Defence has the floor. Members will want to hear the answer.

Hon. Bill Graham: Mr. Speaker, you cannot hear the minister because of the baying across the way. They do not want to talk about responsible government. They just want to talk about political cheap shots.

They heard yesterday in committee from the chief of the defence staff about how we have a plan to recruit 5,000 new members to make our military more responsive to the problems of the world. We will do it, we will do it responsibly, and we will do it in a way that is effective for Canada.

Oral Questions

TAXATION

Ms. Yasmin Ratansi (Don Valley East, Lib.): Mr. Speaker, in the last election the Prime Minister made a commitment to run the federal government smarter and more efficiently in cooperation with the provinces and territories. Could the Minister of National Revenue inform the House of any initiatives to cut down the duplication of services in the field of tax collection?

Hon. John McCallum (Minister of National Revenue, Lib.): Mr. Speaker, I am pleased to inform the House that the federal government has entered into negotiations with Ontario with a view to the federal government collecting Ontario's corporate income tax. This is very good news. It will streamline the process. It will reduce duplication. It will provide lower costs and greater certainty to business. In short, it is a fine example of federal and provincial governments working together for the benefit of Canadians.

* * *

PRESENCE IN GALLERY

The Speaker: I would like to draw to the attention of the House the presence of a number of distinguished visitors today.

I will first draw to the attention of hon. members the presence in the gallery of Dr. Lee Jong-Wook, the Director-General of the World Health Organization.

Some hon. members: Hear, hear!

The Speaker: I would also like to draw to the attention of hon. members the presence in the gallery of the Honourable Edward Picco, Minister of Education, Minister responsible for Nunavut Arctic College and Minister responsible for Homelessness and Immigration in Nunavut.

Some hon. members: Hear, hear!

[Translation]

The Speaker: I would like to draw to the attention of hon. members the presence in the gallery of the recipients of the Governor General's performing arts awards.

[English]

For Lifetime Artistic Achievement in the Performing Arts, the following: Kate and Anna McGarrigle; Gordon Pinsent; Joseph Rouleau; Jean-Louis Roux; Veronica Tennant; and Eric Till.

For the Ramon John Hnatyshyn Award for Voluntarism in the Performing Arts: Constance Pathy.

Finally, for the National Arts Centre Award: Rick Mercer.

Some hon. members: Hear, hear!

The Speaker: I invite all hon. members to meet the recipients at a reception at 3:15 p.m. in room 216 north.

Today being Thursday, I believe the hon. House leader for the official opposition has a question he would like to ask.

Supply

●(1505)

BUSINESS OF THE HOUSE

Mr. John Reynolds (West Vancouver—Sunshine Coast—Sea to Sky Country, CPC): Mr. Speaker, yesterday the government talked out debate on the first report of the health committee calling on the government to compensate victims of hepatitis C. As a result, there is a now a government order listed on the order paper as Government Business No. 4. I would like to ask the government House leader if he would consider calling that business tomorrow so that we can adopt this very important and urgent motion for Canadians suffering from hepatitis C.

I would then also like to ask what we can expect from the government for tomorrow and the week following the break we are taking to honour all of those who served Canada.

Hon. Tony Valeri (Leader of the Government in the House of Commons, Lib.): Mr. Speaker, this afternoon, as hon. members know, we will continue with the opposition day debate.

Tomorrow we will begin with second reading of Bill C-9, the Quebec economic development bill. If that is concluded, we would then return to debate on the motion for reference before second reading of Bill C-16 respecting impaired driving. If there is still time remaining when that is concluded, we would consider a motion to refer to committee before second reading Bill C-18 respecting Telefilm.

As all hon. members know, next week is the Remembrance Week break. When the House returns on November 15, we will call at report stage and if possible third reading of Bill C-4 respecting the international air equipment protocol, and then bring forward Bill C-6 respecting public safety for report stage and third reading.

We would then return to any of the items already listed that have not been completed.

This will be followed by motions to refer to committee before second reading Bill C-19 respecting competition and Bill C-20 respecting first nations fiscal institutions.

We will then be consulting our friends opposite on the appropriate day that week to consider report stage and third reading of Bill C-7 respecting parks, a bill, I am informed, that is about to be reported from committee.

On Tuesday evening, November 16, the House will go into committee of the whole to consider the estimates of the Minister of Canadian Heritage.

Thursday, November 18 shall be an allotted day.

With respect to the specific question with regard to the motion mentioned by my hon. colleague across the way, it is government orders and it is a very important item. I know that we will bring that forward in the fullness of time.

GOVERNMENT ORDERS

●(1510)

*[Translation]***SUPPLY**

OPPOSITION MOTION—NATURAL RESOURCES

The House resumed consideration of the motion.

The Speaker: Before being interrupted for members' statements and oral questions, the hon. member for Verchères—Les Patriotes had the floor and he still has 14 minutes to finish his comments on the debate.

Mr. Stéphane Bergeron (Verchères—Les Patriotes, BQ): Mr. Speaker, at the end of the first part of my speech before oral question period, you will recall that I was talking about the first ministers conference on health that was held in September. I pointed out that we had said we could consider the conference had been successful only in light of the results of the October 26 conference.

As I was saying, the results speak for themselves. Why would we measure the success of the first ministers conference on health in light of the results of conference on fiscal imbalance? Simply because if the government increases health transfers on one hand, but lowers equalization payments or does not increase them significantly enough on the other hand, then clearly the provinces are still stuck with a shortfall. We were therefore very interested to see what would come of the October 26 conference.

As I was saying, the results have not been very conclusive. It started with the sudden departure of the Premier of Newfoundland, who complained that the government had broken an election promise. It ended in an equally glorious departure of the less wealthy provinces, which went home empty-handed from this conference on the fiscal imbalance, because the money destined for equalization had not been increased beyond the amounts announced by the Prime Minister in September. In fact, it would have been better not to have had the October 26 conference, because the result was just what had been announced at the first ministers conference on health.

Quebec, for example, was expecting additional transfer payments of about \$3.3 billion from the federal government, in social transfers for health, higher education and social services, as well as equalization. But after these two conferences Quebec still faces a shortfall of \$2.4 billion. In brief, there is every reason to be disappointed, in the case of Quebec and a number of other provinces.

Meanwhile, we have learned that the federal surplus will be around \$9 billion for the current year. I would point out that the Conference Board estimated the accumulated federal surplus at the end of 10 years at about \$166 billion. During this time, several provinces still have deficits and increasing public debts.

Let us return to equalization. What is equalization? As the hon. member for Saint-Hyacinthe—Bagot explained, it is the only federal program enshrined in the Constitution. Section 36(2) of the Constitution says that equalization aims “to ensure that provincial governments have sufficient revenues to provide reasonably comparable levels of public services at reasonably comparable levels of taxation.”

Consequently, the goal of the equalization program is fairness, trying to make sure that the services offered to all Canadians, to all Quebecers, are at a reasonably comparable level, taking taxation rates into account.

The Conservative motion before us today suggests the implementation of an ad hoc measure that would have very unfair and inequitable effects. To all intents and purposes, they want all oil and gas revenues returned to the governments of Newfoundland and Nova Scotia, but not included in the calculations for equalization payments, or if they are, they want the federal government to compensate for the loss of revenue that would result with respect to equalization.

• (1515)

The purpose of equalization is to have the richer provinces share with the poorer. So, if one province gets richer, then logically there would be an equivalent reduction in its equalization payments.

What they are asking for, basically, is to have their cake and eat it too. They want 100% of oil revenues, but once that money is in their pockets, they do not want to see it affect equalization payments in any way. This is absolutely unfair and therefore absolutely unacceptable.

This Conservative motion boils down to offering a premium to provinces with non-renewable energy sources at the expense of those with renewable energy sources.

This is all the more unacceptable and unfair because the federal government, which includes Quebec, has generously subsidized the development of fossil energies, including non-renewable energy sources, whereas Quebec has developed its own hydroelectric networks on their own, a renewable energy source

From 1970 to 1999, the federal government contributed some \$66 billion in direct grants to the fossil fuel industry—in other words, coal, oil and natural gas—compared to a very modest \$329 million for any form of renewable energy. It is important to note that there was not one cent for the hydroelectric energy that Quebec developed on its own.

In addition, the federal government, as part of its bad record when it comes to green energy, unfortunately dropped the development of nuclear fusion in Canada, prompting the closure of the only nuclear fusion reactor in Canada, which, incidentally, was in Quebec.

How can we believe this government when it claims it wants to comply with the provisions of the Kyoto protocol when we know that history shows that this government has never been truly concerned about the environment and that nothing has changed recently?

Supply

We have to learn from what this government has done in the past in light of the provisions of the Kyoto protocol. Quebec has paid for oil development just by being part of the Canadian federation. It is out of the question that Quebec will continue to do so.

Ultimately, when we take a closer look at what the Conservative Party is proposing, in addition to being fundamentally unfair to Quebec and the other provinces, which are less wealthy or are focusing on renewable energies, the motion could seem disadvantageous or even disastrous for Newfoundland and Nova Scotia.

Let me explain. We have to understand that if we exclude non-renewable resource revenues from the equalization formula this could be interpreted to mean that we should also exclude them from the revenues of a province like Alberta. That would mean that a province like Alberta would become less wealthy, which could translate into a decrease in equalization payments for all the beneficiary provinces, including Newfoundland and Nova Scotia.

Although at first glance this Conservative Party motion seems tempting and interesting for Newfoundland, a closer look shows that ultimately, it would be detrimental to Newfoundland and Nova Scotia.

• (1520)

We do not need patching-up. What we need is a comprehensive reform, a reform from top to bottom of the equalization system. It has been twisted and completely denatured by the current federal government. We must reform it completely and make it much more equitable.

This morning our colleague from Saint-Hyacinthe—Bagot, who is an economist by training and profession and thus can speak much more competently than me in this field, explained some possible ways of reforming the equalization system in depth. It is not enough to stick on a few band-aids here and there depending on the circumstances of one province or another.

The thorough reform of the equalization system would be the first step toward solving the thorny and enduring problem of the fiscal imbalance. Because of the fiscal imbalance, the federal government takes in too much revenue for its responsibilities in comparison with the provinces, which have much greater responsibilities and levels of services to provide to the people, but which do not have the same tax base as the federal government.

That is what we need and that is what we expected of the conference on October 26. We absolutely must move forward with a thorough reform of the equalization system so that we can begin to find a definitive solution to the problem of the fiscal imbalance.

Supply

Although I repeat that we are sympathetic and that we understand the indignation of the Government of Newfoundland, we will not be able to support the motion by the hon. members of the Conservative Party of Canada.

Since I would like to make good use of the seconds remaining to me, I will say that the indignation of the Government of Newfoundland is based on the fact that the federal government, and I refer to the Prime Minister, has broken some of his promises. It would not be the first time.

Take the GST for example. In 1990 he declared, "I think the GST is a stupid, inept and incompetent tax—When we come into office in 1992, I will send the GST back to the drawing board." Far from withdrawing from any tax field, as we can see, he is still there and so is the fiscal imbalance. That is what provokes the kind of reaction and the problem we are facing today and makes this debate necessary.

[*English*]

Mr. Gary Schellenberger (Perth—Wellington, CPC): Mr. Speaker, I listened to most of what my learned colleague had to say. This whole debate is not about equalization.

My question for the hon. member is a very simple one, much the same as the very simple promise that the Prime Minister made, that Newfoundland and Labrador and Nova Scotia would receive 100% of their offshore royalties. Does the hon. member think the Prime Minister should keep his promise?

• (1525)

[*Translation*]

Mr. Stéphane Bergeron: Mr. Speaker, it is my belief that, generally, the public deserves to have promises made to it kept. That does not mean, however, that we on this side need to agree with this promise by the Prime Minister. I have explained the reasons why I do not agree with what the hon. member has just finished saying.

It is not that I disagree with the provinces getting 100% of the income from their natural resources, because they come under provincial jurisdiction. I am, in fact, most sympathetic to the idea of Newfoundland receiving 100% of the revenues from offshore exploration.

That said, if in getting all of the revenue generated by petroleum resources, Newfoundland receives less in equalization payments, I do not see the advantage of this arrangement for the Newfoundland government.

The Prime Minister's promise was not limited to the province receiving 100% of oil and gas revenues, although that was certainly part of his promise. There was another part as well. It was for the federal government to compensate for Newfoundland's losses as far as equalization payments are concerned. This is exactly where the inequity lies, and it may have a negative effect on Newfoundland in the end.

If we accept what the official opposition is proposing today, we are going to have to exclude from Alberta's revenues, for example, what it receives in oil and gas royalties. That would reduce its level of general wealth as far as equalization is concerned. This would,

needless to say, reduce equalization payments for all recipient provinces, including Newfoundland and Nova Scotia.

This is why I do not think that, in the long run, the proposal put forward by the Conservative Party of Canada would be advantageous to the Government of Newfoundland.

[*English*]

Mr. Gary Schellenberger: Mr. Speaker, again I would like to address my learned colleague. I will try to put the shoe on the other foot.

What would the member's decision be if tomorrow in the Eastern Townships of Quebec there was a great oil find? How would he address the way the government should handle the resources of that oil find in Quebec? How would he like to share that with the federal government?

[*Translation*]

Mr. Stéphane Bergeron: Mr. Speaker, elementary wisdom and prudence have taught me never to answer hypothetical questions. Still, out of courtesy and friendship for my hon. colleague, I shall step out onto the slippery ground where he has invited me to venture.

I do not think that the question right now is to determine what Quebec would do in a similar situation, although I shall answer just for the pleasure of doing so. I will say then, on one hand, that, for decades, Quebec's investments in energy development have been in forms of renewable energy. It has invested in hydroelectricity and never received a penny, not one red cent, of federal subsidies. Quebec developed its hydro alone, while the federal government was massively subsidizing the development of petroleum-based energy in Alberta, for example. That is the end of my digression; I will return to the question.

Should oil sources be discovered in the Eastern Townships what position would Quebec take? We would applaud it because it would increase Quebec's wealth and—it goes without saying—our equalization payments would go down. In any event, it would be great. Quebec does not enjoy receiving equalization. We are not thrilled about it. We would much rather have structuring investments by the federal government in purchases of goods and services.

What does Quebec currently get from the federal government? We get 75% of the money allocated for Canada Day, while Quebec represents only 25% of the population. In other words, 75% of the money for fireworks, hotdogs and balloons is good enough for Quebec. We also receive equalization. We would like to have 25% of structuring investments since Quebec represents 25% of the Canadian population. Structuring investments by the federal government in Quebec amount to only 12% to 15%.

Yes, we would be happy if we found oil sources in Quebec. If it meant a decrease in equalization payments, so be it.

Supply

•(1530)

[English]

Mr. David Chatters (Battle River, CPC): Mr. Speaker, I am splitting my time with the member for Edmonton—Spruce Grove.

I am pleased to join the debate on our supply day motion. I have some interest in the topic, having worked at some length to develop our position on non-renewable resources and equalization in Atlantic Canada leading up to the last election.

Even if I am patting myself on the back to some degree, I think we had a sound policy. We took that policy to Atlantic Canada and presented it to Atlantic Canadians. I believe it found considerable acceptance in Atlantic Canada and in Newfoundland and Labrador.

I would suggest that was one of the reasons that in the middle of a failing federal election campaign the Prime Minister went to Atlantic Canada and made the promise that he did to guarantee 100% of resource royalties to those provinces, without obviously a well thought out plan. If he had had the plan, he would have presented it to Atlantic Canadians at the time and this debate would have been taking place in the middle of an election, not after the election and after the seats had been decided.

That is what the supply day motion is about. I listened carefully to the presentation by the member from the Bloc. Indeed he was going down a slippery slope. If we get into the issue of equalization and whether or not it is fair, I think there are a number of fundamental problems with equalization. The clawback of resource royalties is only one of them. There are others, such as how equalization affects tax decisions in provinces. I think back to those problems.

I remember the huge ore deposit that was discovered in Labrador some years ago. Brian Tobin, a former fisheries minister was the Premier of Newfoundland. He decided to stop development of that ore body until Newfoundland and Labrador got the kind of deal it wanted out of the company proposing to develop it. I believe it was Inco.

The premier at the time knew full well what he was doing simply because there was no incentive to develop that ore body. Had he done that under the same problem that we are talking about here today, the clawback of royalties for oil and gas, the federal government would have clawed back the royalties on the development of that ore body.

This problem is wider than offshore oil. The whole issue goes back many years.

As my leader pointed out this morning, there was a time when Alberta was a have not province. The federal government at the time resisted with everything it had to allow Alberta to keep 100% of its resource wealth. Today Alberta has become one of the wealthiest provinces in Canada. Even after it had control of its natural resources and 100% of the royalties, we all remember the national energy program and the grab of resource revenue that was.

This issue goes away back, as does the issue that is fundamental to this, which is the practice during elections of people making promises which they have no intention to keep. That goes back forever. It has been a long Liberal practice in particular, I would suggest.

I remember the Joe Clark government being defeated over an excise tax on gasoline. Prime Minister Trudeau came in and put a heavier tax on gasoline than Joe Clark would have done, in spite of the fact that Trudeau won the election promising not to tax gasoline.

There is the example of wage and price controls. The Liberals promised that they would not implement them. They defeated the Tories on that basis and went ahead and implemented them anyway.

•(1535)

The one we all remember so well was the GST promise. The prime minister had no intention of ever getting rid of the GST and as a result, the deputy prime minister, who had promised her constituents that her government would get rid of the GST, had to resign to show good faith. Her resignation forced a byelection at some considerable expense because the government invested so heavily in her riding to make sure that she was re-elected. It really was a bit of a joke.

Getting back to the equalization formula, I think in response to some of the comments that I heard earlier, removing non-renewable natural resources from the formula does not affect Alberta one way or the other because Alberta does not receive equalization payments. However it would be fundamentally fair to Atlantic Canada to keep 100% of its resource royalties because that is fair.

It would also be fair, in my opinion, in response to the member from the Bloc Québécois who spoke, that renewable resource revenue that is sheltered in crown corporations should also be part of the formula to calculate equalization. Some provinces have a substantial revenue stream from renewable natural resources that in fact will last in perpetuity because they are renewable, whereas the provinces that are now using their non-renewable natural resource royalties in the formula are selling a capital asset that belongs to them in order to kick start their economies. However those natural resources are finite and they will run out one day.

Provinces have to think very carefully when they sell that capital asset and plan very carefully for the day that it is no longer there. I think that is where there is some fundamental unfairness in the formula that includes royalties from those capital assets that they choose to sell in the formula. Certainly by removing them from the formula would not make Alberta a have not province simply because Alberta's economy is doing so well based on the development of its natural resources and it creates great tax wealth for the federal government and for the province. It also stimulates the economy to the point where even if those royalties that are going directly to the province were not calculated into the equalization formula, Alberta would still be a have province.

However removing non-renewable natural resources from the formula would be of great help to other provinces, particularly Saskatchewan, which is one of Canada's have not provinces. I am surprised that in the current round of negotiations the Premier of Saskatchewan is not standing up beside the Premier of Newfoundland and Labrador demanding the same thing. Saskatchewan has a fair amount of non-renewable natural resources. It is one of the calculations that would help it very much if those resource royalties were removed from the formula. Of course, there are some other provinces as well that would benefit, including British Columbia and Manitoba.

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To get into whether equalization is fair or not fair is not the issue that we are debating today. The issue is very simple and very fundamental in that it is about the practice of making promises during an election campaign that one does not intend to keep. Just today in question period the Minister of National Defence got up and piously promised he would never make irresponsible promises.

• (1540)

I think he should talk to his Prime Minister and other members of his party when they develop these election platforms because a lot of promises were made in the last election and many elections leading up to the last election that were clearly made to attract votes and get elected, but the intention was never there to fulfil those promises. That gives us all a bad name and it gives the House a bad name in my view.

I think we should be more careful. We should cost out those election promises and we should make them on the basis that whichever party forms the government it is prepared to fulfil those promises in the mandate that it has been given. I think we should focus on what this is really about.

Mr. David Anderson (Cypress Hills—Grasslands, CPC): Mr. Speaker, my colleague mentioned Saskatchewan in his speech, which is where I am from. We have listened today to a little bit about Newfoundland and how some of its federal representation is not looking after its interest first but is rather reflecting Ottawa back to the people of Newfoundland.

We have had that problem in Saskatchewan for quite some time. We have had a minister responsible for our province who has held senior portfolio positions throughout the years but very rarely has he been able to deliver for our province. When he was agriculture minister and in charge of the Wheat Board he ended up drafting and putting legislation in place which ended putting farmers in jail when they tried to sell their own grain. When he was minister of natural resources there was no movement in our province and no development of those industries. Later, when he was minister of public works, there was a long delay in his attempt to discover what was going on with the sponsorship scandal in our province. It is difficult to see how he has been reflecting Saskatchewan interests.

It is interesting that when we hear the public relations message in Saskatchewan from him and from his people, there are only three things in 10 years that they can really talk about and that is digging out the lake in Regina, building a soccer facility there and then being part of the synchrotron project in Saskatoon. My information on that is that he could only have sabotaged that project as the scientific community had already decided that they wanted that in Saskatoon.

The strangest thing that has happened recently, as my colleague has pointed out, is that there has been no discussion of Saskatchewan and its position on equalization. Because oil revenues have gone up, all of a sudden we will be kind of on the bubble of whether we will be a have or a have not province.

It is strange to me that neither the premier nor the minister responsible for Saskatchewan has really taken the lead in representing Saskatchewan's interest. I would like to ask the member if he has any ideas as to why that might be when it is so important to Saskatchewan that the formula be changed and be applied the way, hopefully, it will be applied in the maritimes.

Mr. David Chatters: Mr. Speaker, it is a little more difficult for me to address some of the issues the member raised because they are Saskatchewan issues and I am not from Saskatchewan, but the point is well taken.

If this policy we are presenting were adopted, Saskatchewan, undoubtedly, would be a have province. If it were able to keep both the royalties and the equalization that would boost its economy to where it could to move forward and become a have province.

With regard to the other issues he raised, in my eleven and a half years in this place, the government has been famous for saying the things that need to be said but never delivering on them. That is not only promises at election time, that is throughout their tenure.

Today the current agriculture minister stood in his place and said the right things about the Canadian Food Inspection Agency in response, I believe, to a question from the member for Cypress Hills—Grasslands. The point he raised in his question was that the Canadian Food Inspection Agency was blocking the development of producer owned packing plants to slaughter cull cows. The minister, instead of standing and saying that he would investigate the situation and that if it were happening he would put a stop to it, he stood and made this speech, this rhetoric.

We know full well that this government is not doing anything to stop the problems that the member described. The tile is the wrong colour in the food inspector's office or the wall needs to be moved a few feet or these kind of things. These things are happening. We have evidence. We know that it is happening and he stands there and says that those things are not happening and that we will not compromise food safety.

He should have made a commitment right then to talk to the Canadian Food Inspection Agency to deal with the problem that is preventing these producer owned slaughter facilities to open, instead of this cheap rhetoric that is of no use and which does not move the issue forward.

• (1545)

Ms. Rona Ambrose (Edmonton—Spruce Grove, CPC): Mr. Speaker, I want to thank the Leader of the Opposition for raising this motion and also the member for St. John's East for advocating so forcefully on this issue.

I would like to start by reading excerpts from letters that were sent from Premier Williams to the Prime Minister, because these letters tell a story about a deal gone bad and a promise that was made during an election only to be broken once the votes were in.

Premier Williams thought he had a deal on offshore oil and gas revenues. He thought his province would be allowed to keep 100% of its profits with no restrictions. On June 10, Premier Williams wrote:

The proposal my government made to you and your Minister of Natural Resources provides for 100% of direct provincial revenues generated by the petroleum resources in Newfoundland and Labrador Offshore Area, to accrue to the government of Newfoundland and Labrador and be sheltered from the clawback provisions of the equalization formula....Our proposal is for the current time limited and declining offset provisions in the Atlantic Accord to be replaced by a new offset provision continuing over the life of the offshore petroleum production which would provide a payment equal to 100% of the amount of annual direct provincial offshore revenues, which are clawed back by the equalization program.

This proposal seems clear. I and most Canadians understand what Premier Williams wants and needs to help make his province economically successful. It seems that the Prime Minister also understood the promise that he had made to Premier Williams, because during a July 10 phone call the Prime Minister obviously also agreed to these terms.

This conversation prompted Premier Williams to write, in another letter on August 5, to the Prime Minister:

This letter is further to our telephone conversation of 10 July 2004, during which we reaffirmed our agreement that Newfoundland and Labrador will retain 100% of the benefit of the offshore petroleum revenues it receives, notwithstanding the treatment of those revenues under the equalization program.

The letter from Premier Williams goes on to urge that the province and the federal government quickly put together an agreement. Mr. Williams makes this suggestion with great optimism in his letter. He goes on to say:

I very much appreciate your commitment to implementing our agreement on a priority basis. I am firmly of the view that our efforts will result in significant and long lasting benefits for Newfoundland and Labrador and Canada.

As we can see, Premier Williams believed that he had a deal. He was optimistic about the future of his province and the strengthened role it would play in Canada.

Premier Williams soon realized that this Prime Minister makes promises during an election that he has no intention of keeping. When the election passed, the Prime Minister moved Newfoundland and Labrador to the back burner and hoped that the province's leadership would stay there.

Premier Williams must have begun to suspect something was going wrong, because in another letter dated August 24, 2004, Premier Williams writes to the Prime Minister again. He says:

I am very concerned that we have not begun to implement our agreement. My concern is further amplified by comments made by your Minister of Natural Resources...on a local radio phone-in program yesterday. [The Minister of Natural Resources] comments demonstrate a misunderstanding of the position my government advanced on this matter and the agreement you and I reached during the federal election campaign.

Again, the premier writes that the terms of the deal need to be negotiated quickly to avoid any more "confusion". We know the end result. The Prime Minister had ample opportunity to put to paper the commitment that he made to Premier Williams. Instead he delayed and delayed, obviously with the hopes that he could tie any new arrangement to the equalization meeting on October 26.

The Prime Minister's actions forced Premier Williams to walk away from the equalization meeting on October 26, not because the premier wanted to but because he had to in order to protect the resources of Newfoundland and Labrador.

At its root this motion is about broken promises, but it is also about much more. It is about the livelihood of Canadians in

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Newfoundland and Nova Scotia, who have shown time and time again the determination to achieve economic success. What they need is a willing partner in Ottawa.

The argument coming from the government is that we had better not give these provinces too much, that they had better not get much more than they deserve. We have heard arguments suggesting that a cap is sufficient because the Liberals would have a hard time telling the rest of Canada that Newfoundland and Labrador should receive equalization benefits and at the same time should be allowed to keep its oil and gas royalties.

With all due respect, I think Canadians would understand. I can say this from experience because I have received numerous phone calls from Albertan constituents who support Newfoundland and Nova Scotia on this issue. They understand, as the Conservative Party does, that it is not just about cash that a province has right now. Instead, it is about the base that it is allowed to grow. It is that base that allows the province to sustain itself through economic downturns, and it is that base that allows a province to rev up its economic engine in good times.

● (1550)

Danny Williams is trying to develop and strengthen the province's economy and build the economic base that will underscore future economic development in his province. That is why we are adamant that Newfoundland and Nova Scotia receive 100% of offshore oil and gas revenues with no caps and no restrictions.

Canadians also know that there is a precedent supporting Newfoundland's request, and that is the province of Alberta. At the very beginning of the equalization program in 1957, Alberta was a net beneficiary of equalization. Alberta received equalization until 1965, at which time the province became a have province.

Alberta's history is one that Newfoundlanders can relate to. In the early part of the 20th century, Alberta's legislators campaigned to ensure that Alberta was granted full rights over its natural resources. Ottawa eventually acquiesced, but not without a fight. In the 1940s and 1950s, Alberta began to strike oil. The difference then was that natural resources were not clawed back in equalization, so while Alberta began to build an oil and gas industry, it used those profits to build up its industrial, economic, social and political infrastructure. Alberta was able to become a net contributor to the equalization program, not simply in on again, off again years, but consistently.

We also all know of the pain and the economic ruin that the federal Liberals inflicted on Alberta in the 1970s and 1980s. We also understand that it is because of our political and economic strength in our province of Alberta and the oil and gas sector that Alberta was able to pull through the economic devastation of the national energy program.

Every time Ottawa has pushed, Alberta has pushed back. Premier Williams is doing the same. He has indicated that Newfoundland and Labrador will not put up with the broken promises of the federal government today.

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The motion supports those efforts. It says to the premier of Newfoundland and Labrador and to all premiers that the Conservative Party is with them. It is a statement to every province that this party understands the pride that underscores the demand for equal treatment from Ottawa and economic self-sufficiency at home. This party will not allow the federal Liberals to continue to deny economic success to Newfoundland and Labrador or to any other province or territory.

But there is something more to the motion, and that is the cruelty of a broken promise. Premier Williams has said that this opportunity is his government's best shot at economic self-sufficiency and this Prime Minister told him that he had a deal, yet the premier of Newfoundland and Labrador has realized the same thing that Canadians across the country have realized since the government was elected as a minority: the Prime Minister says one thing during elections and does another when in office.

Premier Williams and Premier Hamm of Nova Scotia have been disappointed, but they have taken a stand. We are behind them 100% of the way.

Premiers William and Hamm are not the only premiers who are concerned about these events. We have news that the premiers of the Northwest Territories and Nunavut are now watching the Prime Minister's actions on this file very closely. As the Prime Minister is aware, Canada's north is filled with natural resources and those natural resources are the key to northern economic development. Canada's territories also want greater control over their resources. We also support this initiative.

We understand that every region in the country deserves the opportunity to achieve greater economic self-sufficiency. However, if the Prime Minister is willing to break his promises to Newfoundland and Nova Scotia, what is to stop him from refusing to grant Canada's territories their opportunity for economic self-sufficiency?

The state of federal-provincial relations in Canada has been completely compromised by the Prime Minister and his mistreatment of this issue. We believe that stronger provinces are what will make a stronger federation.

I again draw the House's attention to my own province of Alberta, which was once a beneficiary of equalization and is now a contributor. Why does the government not want Newfoundland and Labrador and Nova Scotia to have the same opportunity? Does the Prime Minister not see that in the long run the entire country will benefit?

I, along with my Conservative colleagues, support Newfoundland and Labrador and Nova Scotia and urge the government to honour the deal it made with these provinces during the election. It is time to ensure that Newfoundland and Labrador and Nova Scotia keep 100% of their offshore oil and gas revenues.

• (1555)

Mr. Scott Simms (Bonavista—Gander—Grand Falls—Windor, Lib.): Mr. Speaker, I congratulate my hon. colleague on her speech. She seemed quite sincere. I have a quick question regarding the member's own province. Again I thank her for the sincerity she has shown for my own province, where we have reached this critical time. The member has obviously shown her interest.

Pertaining to the member's own province of Alberta, she alluded to equalization and how Alberta struggled through those years while getting equalization and of course reaping the benefits of royalties as well. I am not trying to be combative, but I would like the member to explain to me how they went from being a have not province to being a have province and how this particular deal differs. Also, how is it that Premier Williams' deal is similar to what Alberta went through?

Ms. Rona Ambrose: Mr. Speaker, when equalization was first brought forward in 1957, non-renewable natural resources were not in the formula so that obviously was of benefit to Alberta at the time. As we know, it collects a great deal in oil revenues.

I think the most important thing was in a recent communiqué from Premier Hamm of Nova Scotia, and I have heard Danny Williams say the same thing: this is something that Alberta has benefited from and it is something for which they feel very strongly that all provinces should have equal treatment, that is, having the opportunity to grow their resource sector and grow their economy. I fully support the initiative of Premier Hamm and Premier Williams in regard to being able to receive equalization but also receive 100% of their resource royalties so they can have control over their own economic future.

Hon. Gerry Byrne (Parliamentary Secretary to the Minister of Intergovernmental Affairs, Lib.): Mr. Speaker, with the discussion on offshore resource revenues and particularly the flow of royalty payments, would the hon. member be able to assure us on this side of the House and other members in other parties that the Conservative Party of Canada will join with us in supporting and enhancing the equalization program? It is a constitutional requirement. Does that particular program enjoy the long term support of the Conservative Party of Canada? Also, is there an acknowledgement that this equalization program is a key component to the resolution of this particular issue as well?

Ms. Rona Ambrose: Mr. Speaker, absolutely. This is part of the Constitution. As the member knows, we have absolute respect for the Constitution. The Conservative Party has always viewed and will continue to view equalization as an essential component of Canada's nation-building efforts. We will continue to honour equalization.

However, as the hon. member knows, we have felt for some time, as have Nova Scotia, Newfoundland, Saskatchewan and other provinces, that the current formula has some problems and needs to be revisited. That is why we have also supported the idea of striking a panel and revisiting the formula. We support the government's efforts to do that.

Having said that, I will say that we have also said for a number of years—and it was one of our leaders' promises during the election as well, long before the Liberals were talking about it—that we should be excluding natural resources from the equalization formula so that provinces like Newfoundland and Nova Scotia can enjoy 100% of their oil revenues.

• (1600)

Mr. Loyola Hearn (St. John's South—Mount Pearl, CPC): Mr. Speaker, earlier today when I rose on questions and comments I noticed the support from different parts of the country.

As I watched the new member from Alberta deliver one of the best speeches I have heard in the House, I note that she is surrounded by people from British Columbia, Alberta, Saskatchewan, Ontario, Nova Scotia and New Brunswick, and we have already heard from Manitoba. We do not have anybody representing Prince Edward Island yet, I say to her, but we will.

What is quite evident here is that everybody right across the country and their representatives are supporting the request that Newfoundland has made. I will ask the hon. member a question, in light of her experience. She has already mentioned it in her speech, but I want her to reiterate it, because this is the crux of it all. What we are asking for is what her province got. In this situation, the similarities between Newfoundland and Alberta are dead on. They had resources they developed. They benefited. We are trying to develop—

The Deputy Speaker: We will hear just a very quick response from the member for Edmonton—Spruce Grove.

Ms. Rona Ambrose: Yes, Mr. Speaker, it is true. I think that is why back home I have heard so many responses and received so much support from Albertans. They can relate directly to how important their resources sector has been to their economic self-sufficiency. When they heard what happened with Danny Williams and what Newfoundland and Labrador and Nova Scotia are after, which is control over their own economic destiny, it really went to the heart of Albertans. They have responded very generously with a lot of support—

The Deputy Speaker: Resuming debate, the hon. Minister of Finance.

Hon. Ralph Goodale (Minister of Finance, Lib.): Mr. Speaker, I will be splitting my time with the member for Dartmouth—Cole Harbour.

Let me begin by noting that I come from a province, Saskatchewan, that has historically been categorized as one of those have not provinces within Confederation. We are very likely emerging from that status perhaps this year, maybe next year. However, like the people of Newfoundland and Labrador and like the people of Nova Scotia, Saskatchewan people have always understood very clearly the fiscal disparities that fall unevenly among provinces. Some are clearly more wealthy and more fortunate than others.

We in Saskatchewan understand the frustration and the difficulty that result from not having the same ability as other provinces to raise our own provincial revenues to meet our own provincial priorities. Like Nova Scotians and Newfoundlanders, Saskatchewanians struggle against our historic fiscal limitations and we aspire to

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the day when we can match the prowess and the success of the more economically fortunate provinces.

In the meantime, we Canadians have, in our typically Canadian tradition of caring and sharing, invented a system to try to even up the economic strengths among the haves and the have nots. It is called equalization. It started in a modest manner back in 1957. It grew to such substantive and symbolic importance that in 1982 it was entrenched into the Canadian Constitution.

By having an equalization system, Canadians are essentially saying to each other that for those of us who live in provinces with such limited fiscal capacity that we cannot on our own reach a common standard of our own source provincial revenues, then in those circumstances the Government of Canada steps in to make up the difference.

Historically, the Government of Canada has been investing somewhere between \$8 billion and \$10 billion per year in equalization payments across the country. It is a matter of fairness and it is a matter of national cohesion.

However, we in the receiving provinces all aspire to graduate from that system, to be able to stand on our own like the more wealthy provinces do. To accelerate that day in relation to two of the least wealthy and most indebted provinces, namely Newfoundland and Labrador and Nova Scotia, which have come recently upon some new sources of wealth generation, namely offshore oil and gas, the Government of Canada has made some very special arrangements to help deal with the unique nature of those offshore resources and to help deal with the larger and very real socio-economic needs of these two provinces.

Normally, under equalization, when a province's internal fiscal capacity increases, its equalization allotment goes down and vice versa. It is like an insurance policy on provincial government revenues. If a province can raise more on its own, it needs equalization less. If it can raise less on its own, then it needs equalization more.

In the case of Nova Scotia and Newfoundland and Labrador and offshore resources, there is a special incremental arrangement to boost both of those elements. Here is how it works. Nova Scotia and Newfoundland and Labrador receive today 100% of the provincial revenues generated from their offshore activity; natural gas in the case of Nova Scotia, oil in the case of Newfoundland. The revenues flow directly into provincial treasuries and they add to each of those provinces internal fiscal capacity. Obviously, that is a very good thing, but not, unfortunately, good enough.

Even with this new revenue from oil and gas over the last several years, Newfoundland and Labrador and Nova Scotia still have remained below the national standard of fiscal capacity in the equalization formula. Therefore, Newfoundland and Labrador and Nova Scotia still require equalization to bring them up to that national standard.

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As their own source revenues, including from the offshore go up, equalization payments go down, but equalization is still required nonetheless to meet the national standard. The special incremental arrangement is this. When equalization in Nova Scotia and Newfoundland drops due to better offshore revenues, the equalization reduction is not on a dollar for dollar basis. The province retains a bonus of 30¢ on the dollar.

• (1605)

Therefore, the existing arrangements today, for Newfoundland and Nova Scotia, consist of three revenue streams: first, of course, their own source offshore revenues, which they already earn and retain 100%; second, equalization, to take these provinces up to that national standard in the equalization formula; and third, that 30% added bonus to help offset equalization reductions.

The discussions in June between the Prime Minister of Canada and the Premier of Newfoundland and Labrador were all about adding more on top of own source revenues, on top of equalization, on top of that 30% extra. The objective was to add a fourth revenue stream, to take that 30% extra to a full 100% extra for a period of eight years, which roughly corresponds with the period of payments defined in the offshore accords, and with that fourth extra stream continue to boost Newfoundland and Nova Scotia up to match the fiscal capacity of the largest and second most wealthy province in the nation.

To the best of my knowledge and belief, the proposal that was put on the table by the Government of Canada is a faithful reflection of the understanding between the two premiers and the Prime Minister. It also reflects the essence of the position that I have taken with the minister of finance in Newfoundland and Labrador and the minister of energy in Nova Scotia.

There have been many conversations, discussions and meetings back and forth among us over the course of the last number of weeks and months. I think we have all been trying sincerely and honestly to arrive at the very best possible outcome, especially for Newfoundland and Labrador and Nova Scotia.

Given the complexity of the subject matter that we have been dealing with, the profound importance and the long history of this issue and the verbal nature of much of the give and take, it is only natural, to use the words of Premier Williams, for there to be some room for potential misunderstandings. There is also ample room on a topic like this for lots of emotion and sometimes some high rhetoric. However, I hope that we can all stay focused upon the real objective before us.

Our goal is to support Newfoundland and Labrador and Nova Scotia in their ambition to emerge from have not status, fulfilling very much what the Prime Minister had in mind this past summer and throughout this whole process.

I want to take this opportunity to thank Minister Clarke in Nova Scotia and Minister Sullivan in Newfoundland and Labrador for their constructive engagement with me in the search for precise and workable solutions. We have had some difficult matters to cope with together, but I believe that we have worked together honourably and in good faith and will continue to do so.

I also want to acknowledge and thank my colleagues, the Minister of Natural Resources, the Minister of Fisheries and Oceans, the Minister of Public Works and Government Services, together with all our MPs and Senators in Newfoundland and Labrador and Nova Scotia. They, too, are working very hard and faithfully for their home jurisdictions. We are all working hard for Canada.

Canada is far more than just a loose collection of provinces and territories. We reach out to each other and we try very hard to accommodate one another. We continue to build together the finest and fairest country on the face of the earth. Part of that effort is sharing our common risks and sharing our common advantages.

Indeed, since the Prime Minister and Premier Williams first spoke to each other on Newfoundland and Labrador's situation back in June, there has been a large material change. We now have a new equalization program, a new equalization formula and an incremental contribution by the Government of Canada to that formula of \$33 billion over the next 10 years. We will continue to work hard on getting the right solution for these two very important provinces.

• (1610)

Mr. Monte Solberg (Medicine Hat, CPC): Mr. Speaker, recently in the St. John's *Telegram*, the Minister of Natural Resources said, "If the market goes to \$1,000 a barrel, you will get all of the revenues, you will get all of the royalties, no cap whatsoever". I want to argue that if there is some misunderstanding on this issue, it is occurring on the government side.

Does the Minister of Finance stand by Minister of Natural Resources in believing that there is no cap whatsoever on royalties going to Newfoundland? What is his position? Does he take a different position? What is the government's position on this issue?

Hon. Ralph Goodale: Mr. Speaker, there is obviously no limitation on royalties or offshore revenues. Under the terms of the accord, those revenues are treated, with respect to Newfoundland and Nova Scotia, as if they are onshore resources.

I am glad the hon. gentleman clarified this point. He is not talking about offshore resources. He is talking about the impact on equalization. The impact on equalization is the misunderstood piece in this equation.

As I said in my remarks, there are four streams. The own source revenue is owned 100% by the province and equalization is on top of that. The two of those play off against each other. On top of that there is the 30% generic solution, which gives Newfoundland and Nova Scotia that extra bonus. What we are working on is the incremental 70% on top of all of that to reach the fiscal capacity of the second most wealthy province in the country.

Mrs. Lynne Yelich (Blackstrap, CPC): Mr. Speaker, I understand the minister would like to see Saskatchewan become a have province. Would the minister like to talk to our socialist premier and perhaps help him to develop our resources? Our premier discourages any kind of development. He seems to like us being a have not province. I would encourage the finance minister to talk to our premier so we can become as rich as Alberta without having to move to Alberta.

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•(1615)

Hon. Ralph Goodale: Mr. Speaker, because of the advantages of resource development and production, I am very pleased that Saskatchewan is moving progressively these days toward that have status. It could be this fiscal year or next fiscal year, but Saskatchewan is right on the cusp of moving out of have not into that have category.

One of the things that will be there, however, if Saskatchewan has future difficulty, is the equalization formula that we are working very hard to ensure will treat all provinces equitably. I am sure my hon. friend would agree with me that we from Saskatchewan would by far prefer that we do not need that support system and that we would rather stand on our own economic strength. Like her, I want to see Saskatchewan not only become but stay a have province within Confederation.

Mr. Peter MacKay (Central Nova, CPC): Mr. Speaker, I want to thank the Minister of Finance for participating in this because he is one of the primary players in finding a solution. I have a couple of quick questions for him.

First, no one would accuse Premiers Hamm or Williams of being ignorant to the consequences of finalizing the best deal for their provinces. I am curious, as I think many Canadians are, as to why these talks have turned so sour and why there has been no direct effort made to bring these premiers back to Ottawa to address some of the very complicated issues that are associated with it, which the Minister of Finance himself has laid out quite clearly.

I would also at the same time ask him if he would clarify a comment made by the natural resources minister on behalf of the government in regard to this issue, that there in fact is a possibility of Newfoundland and Labrador and Nova Scotia exceeding the Ontario standard. This seems to be the point that the minister made. He also references, "if market value goes to \$1,000 a barrel, you", being the province, "will get all of the revenues". Is that the minister's position as well?

Hon. Ralph Goodale: Mr. Speaker, in the give and take of the discussion, to get to the hon. gentleman's first question, it is unfortunate that the tenor of the discussion took on a rather sour overtone. I want to assure him that in everything I have done on this file, and I think this would be verified by Minister Sullivan and Minister Clarke, has been aimed toward arriving at a constructive solution. I will continue to work in that fashion.

Over these last number of days I had the opportunity to talk to my provincial counterparts. I know the Prime Minister has had conversations with the premiers. The dialogue is ongoing and I want it to be fruitful and successful.

With regard to the second part of my colleague's question on the issue of misunderstanding, in some of the dialogue it may not have been clear as to what exactly was referred to in this Ontario threshold. Some people had the impression that it referred to the combination of own source revenue, equalization and the existing 30%. It has no impact there whatsoever.

The reference to that threshold, in the discussion thus far, has applied only to that fourth and incremental stream. In the realm of \$50 or \$55 per barrel of oil, it is not beyond the realm of possibility

that on the basis of own source revenue, equalization and the 30%, that the fiscal capacity of Ontario could be matched without the incremental stream.

Mr. Michael Savage (Dartmouth—Cole Harbour, Lib.): Mr. Speaker, I would like to thank the Minister of Finance for ceding me some of his time. I would like to acknowledge the great regard that we in Nova Scotia have for the work that he has done on this file, as well as the work that has been done by our minister in Nova Scotia, the hon. member for Halifax West. I would also commend the premier and energy minister of Nova Scotia who have sincerely tried to come to a sensible conclusion to this issue.

I would also like to acknowledge some of the great debate that has happened already today and would particularly reference the hon. member for Random—Burin—St. George's who has a very explicit and simple way of laying this out, in a way that everyone can understand because this is not generally an easy topic.

I appreciate the opportunity to speak today because it raises some key issues regarding the role of the federal government in supporting ongoing improvements in the quality of life for all Canadians no matter where they live in this country, and in my case particularly, in my province of Nova Scotia.

I would like to begin my remarks by asking members of the House to cast their minds back in time, just a decade ago, because we cannot look at the future and we cannot look at this accord in context without looking at the past. In 1993-94 Canada found itself in a very precarious situation. We found ourselves mired in debt and deficit, facing an annual shortfall of some \$42 billion a year and a debt level that was growing out of control.

Likewise in Nova Scotia, an overwhelming debt and crushing annual deficits from a previous administration burdened our people, burdened our province, and burdened a newly elected provincial government. At the same time Canada's unemployment rate topped 11%. Both inflation and interest rates were high. Millions of Canadians believed they would never own their own homes or start a business. That was particularly true in Nova Scotia.

The situation was so bad that the *Wall Street Journal* referred to Canada as an honorary member of the third world. But what a difference 10 years can make. As we stand here today in the House, Canada has an economic and fiscal record unparalleled in the G-8. We have recorded seven consecutive budget surpluses, something that has never been done in the history of our country.

With the deficit eliminated, the government has been able to use its surplus moneys to reduce the national debt by billions of dollars. As well, the federal debt to GDP ratio stands at 41.1%, down from 68.4% in 1995-96, the lowest level in over 20 years. We are well on our way to meeting our target of reducing the debt to GDP ratio of 25%.

More than 156,000 new jobs have been created in the first nine months of 2004. Our unemployment rate now stands at 7.1%. In fact, we have had the best job creation record over the past year in the G-7. At the same time inflation remains well within the Bank of Canada's target range of 1% to 3% and interest rates are well below the levels they were a decade ago.

Supply

Perhaps the most telling evidence can be found when we look at the growth in Canada's standard of living. Since moving into surplus in 1997, our country has topped the G-7 list for growth and living standards. In fact, the statistics show the average standard of living for Canadians has increased at a faster rate in the past 7 years than it did over the previous 17.

As I said earlier, what a difference a decade can make. That difference makes these agreements possible that we talk about today. The question that needs to be asked at this stage is, how did we achieve that remarkable fiscal and economic turnaround in just a few short years? The answer is twofold: first, we must acknowledge the sacrifice and hard work of Canadians from coast to coast who understood the need for our country to get its house in order. In some cases that meant short term pain. But I believe it has been alleviated by a long term gain in the form of a more stable and a more prosperous nation.

Second, our government's commitment to fiscal discipline and targeted spending in key areas made a significant contribution to ending the constant spirals of debt and deficits. Over this time period we have had to make some difficult decisions, many of which have aroused feelings of anger in some regions of Canada. Nevertheless, the wisdom of this course of action has been illustrated time and again in recent years.

Without a commitment to fiscal discipline, our government would not have been able to afford the largest tax cut in Canadian history in 2000. Our five year tax reduction package is worth over \$100 billion, significantly lower in personal and corporate income taxes in a wide range of areas giving us a tax advantage over many of our international competitors, including the United States. That has been the critical point for encouraging new and expanding businesses to locate in Canada.

Tax reductions introduced since 2000 have removed one million low income Canadians from the tax rolls. Without our commitment to this discipline, our government would not have had the means to implement a host of programs aimed at bettering the lives of Canadians no matter where they lived.

• (1620)

We have raised benefits for low income children, provided support for caregivers of the elderly or the terminally ill, helped construct new housing for low income Canadians, and boosted funding for post-secondary education. It has been said before, but I believe it bears repeating, these are truly the fiscal dividends of our commitment to live within our financial means. These dividends benefit the people of Nova Scotia as they benefit all citizens of Canada. Nowhere is this more evident than in health care, identified as the number one priority of Canadians.

In September the Prime Minister and his provincial and territorial counterparts signed a deal that would provide an additional \$41 billion in health care funding, in addition to the funding the government already invests each year for the health care of Canadians. We have created a solid blueprint for further progress and sustained funding to help reduce waiting times and to invest in new health care technologies. I hope and expect that we get serious about a national wellness plan to keep us healthy.

This new agreement will provide immediate and concrete benefits for the two provinces mentioned in the motion. Nova Scotia's share of federal health care funding will increase by \$62 million in the current fiscal year and \$91 million in 2005-06. That is not simply an abstract concept. It represents real increases in real dollars that could be used to address the health care priorities of Newfoundland and Labrador and Nova Scotia.

The new equalization framework agreed to by federal, provincial and territorial governments last week was also good news for both provinces. Specifically, Newfoundland and Labrador will see its equalization entitlement rise by \$87 million this year and \$187 million in 2005-06. The new equalization framework for Nova Scotia will see an increase of \$151 million in 2004-05 and \$182 million in the next fiscal year. These are impressive numbers.

I want to make one thing very clear. Our government wants to do everything within its power to provide both Newfoundland and Labrador and Nova Scotia with the moneys to which they are entitled to provide efficient services to its people. I want to make it clear that in the opinion of members on our side of the House that is exactly what the government's offer to Newfoundland and Labrador and Nova Scotia regarding offshore oil and gas is intended to do.

Offshore resource revenues are today owned and collected 100% by the governments of Newfoundland and Labrador and Nova Scotia with equalization payments coming on top of those. Let us not forget that the Government of Canada adds at least a further 30% bonus to offset equalization reductions due to offshore revenues. We are proposing to add a further 70% for a grand total of 100% in offsetting funds on top of the current 100% in provincial resource revenue. This scenario will remain in place for each of the next eight years unless a province's combined revenues from these four sources match the level of revenues of Ontario on a per capita basis.

This does not mean it will end in eight years. It can be discussed. It can be reviewed. It can be renewed. That is a fair deal. It is good for Newfoundland and Labrador and it is good for Nova Scotia. It is also good for the people of Canada. This agreement is fair and reasonable. I believe it shows that Canada does in fact work.

As a Nova Scotian I am proud that our national government understands our unique position. I am pleased that Premier Hamm and Minister Clarke are engaged in discussions that I believe will lead to an agreement. This process is working and Nova Scotians will benefit. Nova Scotia can move from a have not province to a have province, and that is the goal of all of us.

For these reasons and for those advanced by my other colleagues on this side of the House, I will not be supporting the motion.

Routine Proceedings

●(1625)

Mr. Peter MacKay (Central Nova, CPC): Mr. Speaker, after listening to the remarks of my colleague from Nova Scotia, I cannot quite square what he said about his government intending to give Nova Scotia and Newfoundland and Labrador 100% of its resources and yet his inability to support this motion.

The member will know, coming from Atlantic Canada, that historically there have been some travesties when it comes to our natural resources. Our fisheries first and foremost comes to mind.

The member from Prince Edward Island would agree as well that there are still huge challenges that face our fishers in this day and age as a result of mismanagement by successive governments of all political stripes. Similarly, the province of Newfoundland and Labrador had a terrible travesty with respect to the Churchill Falls agreement which deprived the province of huge revenue streams from a natural resource that should have gone into its economy.

The member would be quick to agree that this has historic long term significance. For that reason I would ask him whether he unequivocally supports the Premier of Nova Scotia in his effort to get the absolute best deal which assures that the 100% revenue stream will go to the province of Nova Scotia, similarly go to the province of Newfoundland and Labrador and, most important, that those positions are united, that this will not be an effort by his government to divide and conquer as we have seen so often play out in Atlantic Canada on issues such as this.

This will have long term benefits not only for those two provinces. It will flow to Prince Edward Island and hopefully to British Columbia and New Brunswick as well.

Does the member support his premier in an effort to get the best deal possible?

●(1630)

Mr. Michael Savage: Mr. Speaker, I can assure the member of a couple of things. I have great respect and admiration for Premier Hamm. We may be on opposite sides of many issues but his motivation, his belief and his commitment to the province of Nova Scotia is beyond reproach in my view.

That is why I commend him for his comments over the past week or so and those of Minister Clarke saying that they were optimistic that this will result in a very positive outcome for Nova Scotia.

This, after all, is \$640 million for Nova Scotia over the next eight years. It will also include other developments should Panuke come on shore. There is no reason that Panuke could not be included in this deal. This deal is good for a minimum of eight years. It will be reviewed at that point in time. I believe it will be renewed because it is in the best interest of Nova Scotia. I also think it is in the best interest of Newfoundland and Labrador. I absolutely do endorse it.

Mr. Peter Stoffer (Sackville—Eastern Shore, NDP): Mr. Speaker, I just want to give a short history lesson. During the Meech Lake debate, Mr. Filmon of Manitoba, who was in a minority situation, brought along Gary Doer and Sharon Carstairs because he knew he did not represent fully the entire province of Manitoba.

In this particular debate the province of Nova Scotia, although we fully support Dr. Hamm's efforts in getting the best deal possible for

Nova Scotia, which is a question we can answer in the affirmative, I think it would be better if Premier Hamm brought along the leader of the NDP, Darrell Dexter, as well as the leader of the Liberal Party, Mr. Mackenzie, in order to show a more united front when it comes to the position toward the federal government.

Would my colleague from Dartmouth—Cole Harbour agree that the premier, along with the other two leaders of the other two parties, because they are in a minority situation, would gather strength in their debate against the concerns of the federal government?

Mr. Michael Savage: Mr. Speaker, I do not want to second guess the strategy of the Premier of Nova Scotia. It sounds like an admirable suggestion to me but that is not necessarily for me to say. I think the premier has handled himself with great class so far.

Mr. Rodger Cuzner (Cape Breton—Canso, Lib.): Mr. Speaker, as my colleague stands in the House and speaks about the situation in Nova Scotia with regard to the financial situation, he speaks from a position of understanding. His late dad, who was a former premier, inherited a set of books from a past government that carried an incredible amount of debt, which is something Nova Scotians continue to deal with on a regular basis.

As well, there were references made to where the Government of Canada has come in the last eight to ten years to getting its own fiscal house in order.

Will the province of Nova Scotia have the latitude in these moneys coming forward? Where will the benefit be to the people of Nova Scotia? Where will those investments be made?

Mr. Michael Savage: Mr. Speaker, the benefit does not only come from this accord, but the millions of dollars that go into health care which is so badly needed in Nova Scotia, where we have needs such as home care and palliative care that are not met in Nova Scotia as they are in other provinces.

I would also agree with him that my father, the former premier of Nova Scotia, did inherit quite a fiscal mess but never complained about it. Wherever he is now, and I have a good idea where, he is probably smiling and passing a nod to the Prime Minister and the Minister of Finance.

ROUTINE PROCEEDINGS

●(1635)

[English]

COMMITTEES OF THE HOUSE

NATIONAL DEFENCE AND VETERANS AFFAIRS

Hon. Karen Redman (Kitchener Centre, Lib.): Mr. Speaker, conversations have taken place among all parties and I believe you would find unanimous consent for the following motion. I move:

That, in relation to its study on acquisition of submarines by the Canadian Forces, 12 members of the Standing Committee on National Defence and Veterans Affairs be authorized to travel to Halifax, N.S. from November 17-18, 2004, and that the necessary staff do accompany the committee.

Supply

The Deputy Speaker: The House has heard the terms of the motion. Is it agreed?

Some hon. members: Agreed.
(Motion agreed to)

The Deputy Speaker: It is my duty pursuant to Standing Order 38, to inform the House that the questions to be raised tonight at the time of adjournment are as follows: the hon. member for Prince George—Peace River, National Defence; the hon. member for New Brunswick Southwest, Atlantic Canada Opportunities Agency.

GOVERNMENT ORDERS

[*English*]

SUPPLY

OPPOSITION MOTION—NATURAL RESOURCES

The House resumed consideration of the motion.

Mr. Bill Casey (Cumberland—Colchester—Musquodoboit Valley, CPC): Mr. Speaker, I will be splitting my time with the very distinguished member for Medicine Hat.

I would first like to thank the Leader of the Opposition for bringing this motion forward because it is so important to my province of Nova Scotia. I would like to compliment the member from St. John's East for seconding the motion and on his activities so far in pressing this ahead.

Today in question period, the Minister of Natural Resources kind of said it all. He said that the offer on the table today was great. However Newfoundland and Nova Scotia do not want the offer on the table today. We want the offer that was on the table in the election.

Throughout this debate the Minister of Finance has stood and talked about everything under the sun except the offer that was on the table in the election.

With all due respect to the member for Dartmouth—Cole Harbour, I listened to him talk about housing, education, taxes, health care, equalization framework, services, deficits, benefits and a whole bunch of other things, but all he had to say was that the government will keep the promise it made during the election.

The debate should only be about that. It should not be about all the intricate, complicated, convoluted subjects that are coming up. It is a complete waste of time. Either the government is going to keep its word or it is not.

Members will be pleased to know that I sold used cars for 20 years, but I would not have survived two weeks or even two days if I had done what the Prime Minister did. If I had not kept my promises I would not have survived. In this case the Prime Minister made a promise to Newfoundland and Nova Scotia in order to get the votes that he was seeking in the election but as soon as the election was over he tried to renegotiate the deal.

Mr. Speaker, if you bought a car from me on Tuesday, we made a deal and agreed on a price, and on Wednesday you came back and the car was smaller and the price was higher, you would not agree

with it. You would not even renegotiate it, but that is what these guys are trying to do. They are trying to turn this into a fiasco by saying that this is a good deal. We had the deal we wanted. We all agreed to the deal, and that was the deal in June.

If the Prime Minister would take some advice from a used car salesman, if he would keep his word and follow through on the agreement that was made in June, that is 100% of the royalties, no limits, no caps, no conditions, we could all go home and be happy.

The Minister of National Defence stood up in question period and said that he would not make irresponsible promises. If they promised to give Nova Scotia and Newfoundland 100% of the royalties in the election and then did not do it, is that not an irresponsible promise? I think it is. If they are going to make responsible promises, then they also have to keep them. It is not complicated. It is really simple. As a used car salesman, I could give the Prime Minister a few lessons on that.

I want to take a minute to congratulate Premier John Hamm. He started this campaign for fairness in 2001 and he has been on it ever since: same goal, same target. I want to compliment Premier Danny Williams for the excellent job that he has done to raise the profile of the whole subject. They have done a great job of pushing this argument forward. I also think our party here has done a great job. We have some great members who have done a super job on that.

I am from Nova Scotia, a rural part of Canada. My riding is almost all rural. Every day I see government policies that are stealing resources from my riding. I am talking about fishing offices and customs offices. I am talking about jobs. The government is trying to polarize this country, it seems to me, and there is no help for rural Canada, no help for Cape Breton. I get calls from Cape Breton asking for help, and I ask them where their member of Parliament is. It seems that the government has a big city agenda and the heck with us.

However this agreement is important to rural Canada, to rural Nova Scotia and even more important to rural Newfoundland. Rural Newfoundland is going through some of the most financially trying times of any province in the history of Canada. It has an \$800 million deficit. Can anyone imagine having an \$800 million deficit? That is a huge debt. It has massive unemployment. The awful thing is that the young people must leave their towns and their province to get work because there are no jobs.

Those are the reasons that we need this agreement, the one the Prime Minister made in June during the election, to go ahead, not the offer that the Minister of Natural Resources is putting on the table today. We want the offer that was put on the table during the election when they wanted our votes. It is absolutely critical that we press forward on that.

• (1640)

I think the member for Sackville—Eastern Shore mentioned bringing in the political leaders from the other parties in Nova Scotia. It is amazing that all the political leaders from all the parties have agreed with Danny Williams that we should get the deal that was made in June. In Nova Scotia it is almost the same, except for the Liberal leader in Nova Scotia.

I picked up the paper the other day and read, “Grit leader would have signed deal”. If the leader of the Liberal Party in Nova Scotia had been the premier, he would have signed the deal. He would have sold out Nova Scotia to the tune of about \$800 million. So there would be hardly any point in bringing him here to help us get a good deal for Nova Scotia because he would have sold us out. He would have sold us out and the estimate is \$800 million.

I want to raise another point. I do not want to make this sound any worse, or even bad, but four days later I read another article about how the Liberal leader in Nova Scotia has two companies. It was right out of the *Halifax Herald*. He has two companies and “neither makes money and both have loans” to the Government of Canada. Accordingly, the ability of the corporation to continue as a going concern is uncertain. The loans are somewhere in the amount of \$400,000 or \$500,000.

I think that a person in provincial politics in a position of influence should move quickly. It does not matter who it is or what party it is, if they are dealing with the Government of Canada they should divest themselves of their interests, their personal guarantees and everything else as quickly as possible to avoid any of the accusations or the perception of conflict. We live in a poisoned atmosphere here in Ottawa because of the sponsorship program. Because of that, I think provincial politicians should make sure they are squeaky clean. I urge Francis MacKenzie to divest himself of his companies that owe the Government of Canada money.

I want to go back to the topic of my riding for a minute. Just a little while ago the Department of Fisheries sent some people to my office and said, “We want to tell you that we are going to close the fisheries office in your riding”. This is just one in a long list of offices that the Government of Canada has closed in this particular town of Parsborough. This town fights for its very life. The people of the town raise money. They do everything they can to fund a brand new theatre and to put on benefits and socials to help people who need help. Again it is the same there as it is in Newfoundland, where the population is declining and the people staying are aging. On average, the people are older.

It gets tougher and tougher for our small communities to survive, and here we have the Government of Canada leading the way. It is just like a big vacuum cleaner going into rural Canada, sucking the life out of rural Canada. It has this big city agenda, and this whole refusal to give Newfoundland and Nova Scotia the resources that it promised in June is just simply a part of that as far as I am concerned.

We can make this argument really complicated. The Minister of Finance comes in and says the proposal on the table—same story—reflects the agreement with the premiers. That is not true or the premiers would have signed it. It is the proposal that was on the table in the election that we want, it is the proposal on the table in June that we want, and we will stand here and we will fight until we get it, those of us from Nova Scotia and Newfoundland and Labrador and all our colleagues who have supported us from right across the country. It is really impressive to see the support we have gained.

I call on the government to stop the rhetoric, to stop talking about all these things it is talking about and just get down to the point and

Supply

say, “We made a promise. Now we are going to keep it”. I will be supporting this motion with both hands.

• (1645)

Mr. Rodger Cuzner (Cape Breton—Canso, Lib.): Mr. Speaker, I might suggest that if those phone calls were coming from Cape Breton, it was probably during the election and it was probably people from Cape Breton asking the member to intervene on the part of his party, which wanted to carve the heart out of ECBC, Enterprise Cape Breton Corporation, and in fact out of the rest of our regional economic development agencies. I would think that would be the nature of the calls from Cape Breton.

With all due respect for his past profession as a car salesman, I will say that I think my colleague has taken a little liberty with the numbers and the arithmetic with reference to his comments about the newly elected leader of the Nova Scotia Liberal Party, that being that if in fact he had signed the deal he would have left \$800 million on the table. I would like to know how he arrived at those figures.

Mr. Bill Casey: Mr. Speaker, I read it in the *Halifax Chronicle-Herald* so it must be right. It was the October 28th *Halifax Herald*. It said that Mr. MacKenzie said the province should take the deal now and negotiate more in the future. Can we imagine that? Negotiate more in the future? That man has a lot of faith if he thinks we can take the deal now and negotiate more in the future. That man could take a lesson from a used car salesman too.

Mr. Peter MacKay (Central Nova, CPC): Mr. Speaker, my colleague from Cumberland—Colchester—Musquodoboit Valley is driving his point home as a former used car salesman, but I know he would appreciate the fact, as would my colleagues opposite from the province, that the situation in Nova Scotia is such that we are spending 42% of the provincial revenue to cover health care. I would suspect that there is a similar number in the province of Newfoundland. That does not give us the flexibility to address the issues of infrastructure, education and the many other sources within that province that need attention.

My friend is right when he talks about the need for the best possible deal, and that must be the 100% return on the non-renewable resource, which is our oil and gas resource.

There is an issue we are talking about in terms of going forward, and there is his reference to the Nova Scotia Liberal leader saying we should take the money now and try to negotiate something later, which does not wash. First of all, we have seen what happens when provinces like Newfoundland and Labrador pre-emptively signed a deal that effectively gave away any real means that they might have had to benefit from the Churchill Falls project in a substantial way, in a way that would get that province into a have status.

Nova Scotia is not going to be bullied. We are not going to be divided between Nova Scotia and Newfoundland and Labrador on this issue. We are going to work collectively for the best possible return.

The issue here is ensuring that the Prime Minister keeps his word and that he is held to account for having made that promise during the election. The issue is obviously the long term prosperity of our province, to allow us to ensure that children who grow up in the province can stay and work and be the full beneficiaries of that natural resource. I would ask my friend to comment on that as well.

Supply

Mr. Bill Casey: Mr. Speaker, that is exactly the point. We in Nova Scotia and Newfoundland and all of Atlantic Canada want economic independence. We want to be sending money back. We do not want to take money. We want to send it back. We want to be in a position to do that, but under the current formula it is absolutely impossible and will never happen.

The member for Cape Breton—Canso has given me a chance to read out this sentence, again from the article about Mr. MacKenzie, the leader of the Liberal Party in Nova Scotia:

Mr. MacKenzie said the province should take the \$640 million now and keep negotiating for the rest.

So even the Liberal leader acknowledges that they are leaving some on the table and says that somehow we will negotiate for the rest. He is acknowledging it is there, but says we will not take it and we will make a deal with the Liberals and hopefully get it later on.

• (1650)

Hon. Robert Thibault (Parliamentary Secretary to the Minister of Health, Lib.): Mr. Speaker, I certainly would buy a used car from that man, but I have never been accused of being a smart shopper.

The member will agree that the deal that is presented for Nova Scotia is a very good deal, as the leader of the Liberal Party has said, and it can be improved. As I said today, I encourage the premier to continue negotiating if he can. When we look at the three agreements, the health care accord, the equalization improvements and the offshore accord, we are looking at over \$300 million annually going to the province of Nova Scotia. I think that will help give the services that Nova Scotians require and demand.

Mr. Bill Casey: Mr. Speaker, the hon. member told me one time he does not like to clean his car, so we would have to take that into consideration when we made our deal.

It is exactly the same thing. He still does not get the point. If I made a deal with him today for a certain amount of money for a certain car and he came back tomorrow to pick it up and I had a different car and asked for more money, he would be wild. I think he is a little wild now, but he would be even wilder. That is the whole point. Nova Scotia and Newfoundland made a deal. The Liberals said, “You give us your votes and we will give you this deal”. We did and they did not keep their end of the bargain.

Mr. Monte Solberg (Medicine Hat, CPC): Mr. Speaker, it is my pleasure to rise and address this motion today, which was brought forward by my leader. I have to say at the outset as an Albertan how proud I am to stand shoulder to shoulder with my colleagues from Nova Scotia and Newfoundland and Labrador in support of these provinces that are trying so hard to really benefit from the resources that so far they have not had the chance to benefit from.

I know that people in my part of the world understand how difficult it is to face a federal government that is intent upon raiding their resources, really, in a way that we have seen in Alberta before and that occurs as a matter of fact today in Newfoundland and Labrador and Nova Scotia.

Just by way of background, I want to say that the member for Edmonton—Spruce Grove gave a great speech a little while ago and talked about the fact that Alberta for many years—and a lot of

people do not remember this—was a recipient of equalization payments between 1957, when the program came into place, and 1965. But even if people know that, what they may not realize is that Alberta, as it received those equalization payments and as its revenues from the oil patch grew, did not have its equalization payments clawed back. Of course we discovered oil in Alberta in a big way in the 1940s. The first big find was in 1947 at Leduc, I think, and over that period of time as the revenues grew we did not have our equalization payments clawed back.

The point is that because we were allowed to keep both our equalization payments and the full benefit of our non-renewable natural resources, we were able to start to build some infrastructure and we were able to start to expand our economy so that eventually we became the wealthiest province in Canada.

That is what Albertans want for these other provinces as well. We want to see them get the full benefit of these non-renewable natural resources.

How do we do that? It starts with the Prime Minister keeping his promise.

He went to Newfoundland and spoke to Premier Williams on June 5 during the election campaign and said that he wanted Newfoundland and Labrador and Nova Scotia to get the full benefit of their resources. But how do we get the full benefit of the resources if suddenly the equalization starts to claw back some of those equalization funds that we currently receive? Well, we do not get the full benefit. That is so obvious.

Now we have all that equivocation on that side of the House, where the finance minister says there was a misunderstanding. I can tell the House that Premier Williams and Premier Hamm do not misunderstand how equalization works. They know how it works because they have to rely on it so they can have the services that we in Alberta take for granted. So I just do not buy that for a moment.

What makes me even more angry is that today Newfoundland and Labrador in particular is in just the most dire economic circumstances one can imagine. I have been to Newfoundland several times. I remember speaking to a third year political science class at Memorial University once. I remember that after I spoke one young woman got up and was just really distraught. She talked about the fact that she would have to leave Newfoundland to find work. She knew there was just no hope of finding a job in Newfoundland at that point because the economy was in such tough circumstances. Let me tell the House that it is heartbreaking to see that.

As my friend has pointed out, Newfoundland today has an \$800 million deficit. It has incredible depopulation in the outports. One sees many communities where homes are abandoned and people are leaving in droves. The infrastructure is breaking down. There is tremendously high unemployment, especially in rural Newfoundland and Labrador. It is an unbelievably difficult situation.

On the other hand, they sit on a finite amount of oil and gas that they need to develop as their chance to break out of this, and this government, instead of being generous at a time when the government itself is running some huge surpluses, although it tries to mask them all the time, instead of being generous and understanding and looking at what happened in Alberta and saying that maybe that would be a model for how to help Newfoundland and Labrador and Nova Scotia, instead of that, the government says no. It says, "We are going to break our promise and deny those people the same chance that people in Alberta had".

That is disgraceful, but that is what is occurring. I cannot believe that this government can sit here and its members from Atlantic Canada can defend this government on this issue. It is absolutely unbelievable.

• (1655)

As an Albertan, I want to see Newfoundland and Labrador and Nova Scotia get the same chance Alberta got 30 years ago. That is only fair.

As Canadians we believe in fairness. We all talk about that. We believe we should treat everybody the same way. If that is the case, then why is this happening today? Does the Prime Minister's word not mean anything? He says one thing during an election campaign when seats are on the line, and he knows it. He went to Premier Williams and said, yes, that they had a deal. Premier Williams in good faith believed that to be the case and letters went back and forth, or at least letters went from Premier Williams to the Prime Minister's office restating his understanding of the deal. However, there was no letter in response. Finally, a letter arrives many months later that has all kinds of conditions that were never agreed upon in the first place.

That is not bargaining in good faith. That is denying Newfoundlanders and Labradorians and the people of Nova Scotia a chance to really achieve what I think they are capable of achieving. We should remember this is a finite resource, a resource that will be utilized and then will be gone forever. It is their chance to take this and turn it into the infrastructure, the universities and the hospitals that are necessary to build a greater economy, so when the oil and gas is gone, they will have something else going for them. Newfoundland and Labrador has already lost the fishery.

What do we do now? We have to make this work, but when we start to put these caps on, all of a sudden we deny people the chance to aspire to their dreams. That is just so fundamentally wrong and so frankly un-Canadian. I am just in disbelief that the Prime Minister would take that stand with a province that is clearly the worst off province in the country today. It is unbelievable that would occur.

I probably do not have a lot of time left, but I will say a couple of words about some of the things the finance minister said when he spoke a couple of minutes ago. I believe the finance minister's heart is in the right place, but what we have heard today is a lot of doublespeak. He talked about the various streams of revenue and all that kind of thing. He talked about the Ontario fiscal capacity and things like that. When we boil it all down, the finance minister was saying that the government would let Newfoundland and Labrador get to a point in its ability to generate revenue to the same capacity as Ontario.

Supply

However, he was taking into account the money that Newfoundland and Labrador gets from equalization. Clearly, if we factor that in, then we do not get a true picture of the actual fiscal capacity of a province like Newfoundland and Labrador. What is important is not what they get through equalization. It is the ability of the province without equalization, without that support from the federal government, to generate revenue, jobs and a standard of living for people. It does not take into account is the huge amount of infrastructure that already exists in places like Ontario. That is not factored into these things.

The finance minister is disingenuous when he does not talk about these things. We are talking about two completely different situations. I hope people do not buy into the idea that when the province has the same capacity to generate revenue with equalization, that somehow means Newfoundland and Labrador would be just as well off. It is simply not the case.

It is time for the government to live up to its word. It is time for it to ensure that the people of Newfoundland and Labrador and Nova Scotia have the same opportunities as the people of Alberta had a generation ago.

• (1700)

[*Translation*]

Hon. Robert Thibault (Parliamentary Secretary to the Minister of Health, Lib.): Mr. Speaker, it is a pleasure to listen to the hon. member's fine words.

[*English*]

I am pleased to hear such genuine good wishes for the for Nova Scotia and Newfoundland and Labrador for the future of those. Rather than building fences and walls around Alberta, it is better for us to talk about Nova Scotia and Newfoundland and Labrador being able to reach their economic potential. I am pleased to hear that. I would encourage him to look over the fence a bit more because he would see that there is still a vibrant fishery in Atlantic Canada, and we are proud of it. We have had some hits, but we are very proud of the fishery that employs many people and is part of our culture and heritage.

We see some changes on that side. In the few years that I have been here I have noticed that a lot of people are using my first language, French. I suppose if I stay here long enough, some of the members will start using the metric system, but that will take some time.

The member will surely recognize that maybe the proposed deal is not perfect. That is why we encourage the premier to continue negotiations to ensure he will get the best deal he can for Atlantic Canada, for Canada and for Nova Scotia. In my case, I am interested in Nova Scotia. Other members will speak for Newfoundland and Labrador.

Supply

When we look at the total that has been negotiated, when we look at the health accord, when we look at the equalization improvements and when we look at the offer of over \$300 million a year for Nova Scotia, there is no doubt that the premier is tempted to take it. However, he wonders what will happen eight years down the road, so he and Minister Clarke continue to negotiate, and I support him in that. Members must recognize that the Prime Minister has to speak for all of Canada. This is a good deal for Nova Scotia.

Mr. Monte Solberg: Mr. Speaker, that is the difference between the Liberal Party of Canada and the Conservative Party of Canada.

The Conservative Party believes that if the Prime Minister makes a promise, there is no need for negotiation. He should live up to his word. I do not understand why the hon. member across the way does not understand that.

Hon. John McKay (Parliamentary Secretary to the Minister of Finance, Lib.): Mr. Speaker, it is hard to understand the hon. member's argument. He argued that Alberta was a have not province until it received its oil and gas revenues. What does he now expect? Does he expect Alberta to get equalization payments now that it is receiving the flow from its oil and gas revenues? He wants to have it both ways.

The argument is not that they do not keep 100% of their revenues. They do keep 100% of their revenues. When Nova Scotia and Newfoundland and Labrador reach the Ontario standard, then equalization will be reviewed.

I do not understand. He seems to want to argue both sides, keep the revenues out of oil and gas and keep equalization simultaneously. It does not make sense.

Mr. Monte Solberg: Mr. Speaker, as the member is a parliamentary secretary and speaks for the government, it is pretty clear that it does not intend to keep its promise.

During the time when Alberta was getting on its feet with its oil and gas industry, it was getting revenues and equalization. That equalization was not clawed back. That is what the member does not understand. What we are asking for is the same deal for Newfoundland and Labrador and Nova Scotia that Alberta received. I would hope the member understands that it served Alberta very well. Today, Alberta is a very prosperous province. Why does he not share the dream of having that kind of prosperity for Atlantic Canadians as well?

• (1705)

Hon. Gerry Byrne (Parliamentary Secretary to the Minister of Intergovernmental Affairs, Lib.): Mr. Speaker, representatives from every province of Canada have spoken on this issue and there is a wide range of consensus on the actual thrust, pretext and context of this and the actual language of this. During the course of the morning and the afternoon, I have been working not only with colleagues on this side of the House but with colleagues opposite to see if a further consensus could be built.

What the finance critic is suggesting is that there would be no problem whatsoever with actually putting in place a formula that would prevent the clawback of any equalization. Would the finance critic and the mover of the motion be prepared to amend the motion and put that into the actual language of the motion itself?

Mr. Monte Solberg: Mr. Speaker, with respect to the member across the way, the point I am trying to make is the Prime Minister made a promise. We want that commitment met. It is that straightforward.

When Liberal members start talking about negotiating the Prime Minister's promise, I am surprised some red flags did not go up and some alarm bells did not go off. Pretty clearly, if the Prime Minister made a promise, then it should be kept. That is the position of the Conservative Party of Canada. I do not understand why those guys do not get it.

Mr. Peter Stoffer (Sackville—Eastern Shore, NDP): Mr. Speaker, as a resident of Nova Scotia, I am proud to stand up for the residents in this very important debate.

First, I want to thank my Conservative colleagues for bringing forward this motion today. I am rather disappointed we will not vote on it. I do not understand for the life of me why an important issue of this nature is not debated and voted on right away, but somebody somewhere on the government side has decided he or she does not want to vote on this. There must be specific reasons for that, which is a debate for another day.

I want to correct a few things. I have heard my colleagues on all sides say this and I wish from this moment on they would stop using the term have not province. I do not come from a have not province. My colleague from Cape Breton, my colleague from Prince Edward Island and my colleagues from Newfoundland and New Brunswick do not come from have not provinces. We have some of the greatest people in Canada living in our provinces. We have some of the greatest scenery in our provinces. We have some of the greatest resources. Maybe we are not as financially well off as other provinces, but to say someone from Newfoundland and Labrador, P. E.I., New Brunswick or Nova Scotia comes from a have not province indicates to us that we are have not citizens. That is absolute nonsense. That kind of dialogue originated from the south end of a north bound cow and it has to stop.

I encourage my colleagues on the federal level and, most important, on the provincial and municipal level, to stop using that term. I consider it very derogatory and it is not helpful in the debate. If we want a lift up instead of a hand out, then we should talk about that.

My colleague from Medicine Hat is absolutely correct when he says that the government must keep its promises. Government members must keep their promises. If they made them in the heat of the battle of the election, then the Prime Minister and the finance minister should not be too upset when we in opposition say that we want them to keep their promise. That is the basis of this debate. If people say something to the electorate before the election, they darn well will be held to account by opposition members, not only in the other three parties, but by the provinces as well to maintain their promises.

Supply

There is another error in judgment which the provinces have made in this debate. I go back to a question I asked my colleague earlier. During the Meech Lake debates, Gary Filman, the premier of Manitoba, was in a minority situation. At that round table, where there was a very serious discussion affecting Canada, he brought along the leader of the NDP, Gary Doer, and the leader of the Liberal Party, Sharon Carstairs. During that whole session, Mr. Filman and the other two leaders talked to each other on a regular basis to decide what would be best for Manitoba.

I encourage my Premier of Nova Scotia to bring along the leader of the Liberal Party of Nova Scotia, as well as the leader of the NDP to show a cooperative common front. I know Darrell Dexter of the NDP in Nova Scotia and Francis MacKenzie of the Liberal Party have indicated support for Premier Hamm's campaign for fairness. Why not bring them along to the debate?

I also encourage the Premier of Newfoundland and Labrador, who was very bombastic the other day, to do the same. He reminded me of the days of Brian Peckford. Of course the debate between Mr. Baker and Mr. Crosbie was very entertaining indeed. Is it helpful to the debate? I think if Mr. Williams brought along the leader of the NDP and the leader of the Liberal Party, it would show force that were united in our discussions with the federal government.

Now getting to the federal government, the Liberal government has to understand it is not in a majority situation anymore. It does not hurt to have the dialogue with the opposition parties on an issue facing Atlantic Canada, one that is so serious to our future.

Regarding the offshore oil and gas accords, there is no question that all of us in Nova Scotia and Newfoundland and Labrador would love to keep 100% of those royalties. We know that when we had the opportunity of joining Newfoundland in its confederation of 1949, when Canada joined it, part of the deal was the federal government would have responsibility to share offshore resources, including fisheries and any mineral deposits that may be there. We know how well the federal government has managed the fisheries off the east coast. We certainly do not want it managing our offshore oil and gas in the same manner. In my belief, those provinces have the right to 100% of those royalties. Just as important, we do not need to have the equalization clawback.

● (1710)

It is similar to when the federal government gave the national child tax credit to Nova Scotia, and then the Nova Scotia government clawed it back dollar for dollar. That is not helpful to those people and the clawback of equalization would not be helpful to the provinces of Nova Scotia and Newfoundland and Labrador.

There is no question that we are on the precipice of something very good for Atlantic Canada. We have the opportunity financially to get our house in order, start reducing our deficits and debts, and start reinvesting into the economies of Atlantic Canada. Not just for Newfoundland and Labrador and Nova Scotia, but I also include P.E.I. and New Brunswick as we consider ourselves one big family. From the shores of Cape Breton to the shores of Labrador we have great potential to go forward, but we need leadership from the federal government. That leadership should be in cooperation with the leadership of the other parties as well.

That cooperative approach along with the cooperative approach from the provinces would probably have mitigated this debate here tonight. These two trains coming at each other on the same track dialogue must stop. I have been involved in union negotiations for many years with the airlines. I always noticed that it never worked if the two sides were yelling, screaming and threatening each other. It is helpful if the sides sit together in a room. I always like to say to lock them up in a room, give them a big pot of coffee, lock the doors, and do not let them out until they reach an agreement.

I am very hopeful that the provinces of Nova Scotia and Newfoundland and Labrador will come to a consensus with the federal government. But the federal government has to understand that it simply cannot do this on its own. Liberals need the cooperation, the discussions and dialogue with the other opposition parties. The Liberals are no longer a majority any more.

Nova Scotia and Newfoundland and Labrador have a great future ahead of them with oil and gas right now but with other aspects down the road. I do not know how many Yukoners actually moved to Nova Scotia to find work, but on the east coast, our greatest resource is our children and many of them leave Atlantic Canada for better jobs throughout the country, either to Alberta, B.C., Ontario or wherever. We would like to bring those kids back and we would like to provide them with the economic opportunities so they will not have to move in the first place, so that they can raise their children where their grandparents lived.

If indeed that happens, it would be a great day for all of us in Atlantic Canada and it would help the rest of the country. It would give up that perception that we in the east are the weaker sister or weaker cousin in this relationship since Confederation. I do not believe we are the weaker relation at all. Our economies may not be as strong as in other areas of the country and there is a myriad of reasons for that.

It is not just the federal government's fault. It is also the fault of the provincial and municipal governments. Collectively, we have not done a great job managing the economy of the east coast, but we have to hope for the future. We have to hope that there are opportunities down the road. We have to hope that we could once and for all get rid of the image, not only in this legislature but in other legislatures, that we are a have not province or a have not region.

We are a have region. With the right development, the right legislation, the right policies, and the right attitude we can go a long way in our future, not only for us but for our children and their children as well.

● (1715)

Mr. Bill Casey (Cumberland—Colchester—Musquodoboit Valley, CPC): Mr. Speaker, the member mentioned that the premier of Newfoundland and Labrador was a little bombastic. I do not argue with that, but that strategy was very effective. It certainly focused attention on the commitment that was made during the election which is what we should be talking about and not the offer that is on the table today.

Supply

The member suggested that the Liberal leader from Nova Scotia should accompany the premier and the leader of the NDP on this exercise, but Mr. Mackenzie said they should grab the \$640 million now and keep negotiating for the rest. Mr. Mackenzie said in the *Halifax Herald*:

Definitely not give up \$800 million, but right now let's get the \$640 million moving first,—

Mr. Mackenzie has already acknowledged the \$800 million, but he is saying to get the \$640 now and hope they can negotiate the rest. We are trying to get the Liberals to keep a promise they made in June. If we cannot get them to keep that promise, why would we ever think they would keep another promise?

Mr. Peter Stoffer: Mr. Speaker, I thank my hon. colleague who has taken over the beautiful Musquodoboit Valley on my behalf.

However, the bombastic style of the premier from Newfoundland is nothing new. Sure, it highlighted the debate. Was it helpful? I do not know.

I am not a Liberal, by any means, but I always believe that a cooperative approach by any premier along with the opposition parties in that particular province is the best way to go. Mr. Mackenzie may or may not have made comments regarding whatever deal was on the table, and said grab this and do that.

A few years ago Premier Hamm was here and we had a dinner upstairs. He was talking about his campaign for fairness. The approach that he took with the six members of the New Democratic Party there was very helpful. After careful reflection, the six of us gave the premier our total support because of the fact that he approached us on an even keel. He said that he was looking for our support and presented the concerns of Nova Scotia. We thought that was a very good way to do things. Instead of a top down approach, he treated us in the same manner that we would treat him if there were a concern among all of us regarding Nova Scotia.

I believe that is the approach to be taken especially when it comes to complicated negotiations such as the ones that we are involved in now. However, the member is absolutely right. The Prime Minister must keep the promise that he made before the election.

Mr. Rodger Cuzner (Cape Breton—Canso, Lib.): Mr. Speaker, I want to support my colleague in some of his opening remarks with regard to the Atlantic provinces, Nova Scotia and Newfoundland in particular, and the reference of a have not area and have not province. There is nothing that infuriates me more than that reference. Further to that, I opened up the *Toronto Star*, of October 27 and saw the headline “Premiers reach deal on handouts”. It is an insult. They do not get it; they do not understand.

The coal miners of Cape Breton who mine the coal, who powered the navies through the first world war and the second world war, the miners who went underground and risked their lives to power the industry in Ontario to generate the economy in Ontario, they did not consider that a handout.

When the fish from Newfoundland and off the coast of Cape Breton and Nova Scotia fed the farmers in the dust bowl in Alberta, that was not a handout. That was Canadians within the federation helping Canadians. That is what we are talking about here.

My concern with this opposition motion is that it comes from the Leader of the Opposition, the member for Calgary Southwest, who does not understand Atlantic Canadians and does not understand Atlantic Canada.

Anyone who was here in the mid-nineties understands fully that it was Atlantic Canada that suffered most through the cuts in the mid-nineties. He said the cuts were not deep enough. He said they did not go far enough and equalization would have been the casualty of any further cuts.

Does the member not think it is somewhat disingenuous for the motion to be put forward by the member for Calgary Southwest?

• (1720)

Mr. Peter Stoffer: Mr. Speaker, it is obvious why the member was elected in Cape Breton. He is standing up for the people of Cape Breton and he should be congratulated for that.

I remember quite well the former leader of the Saskatchewan Party, Elwin Hermanson, who supported every cut to agriculture and every cut to farmers in this place between 1993 and 1997. Then he went back to Saskatchewan as the leader of the Saskatchewan Party and said, “My god, the farmers are having a hard time”. I remember very well the member for Calgary Southwest. Although I was not here, I did read his comments regarding Atlantic Canada. However, that was then, but this is now.

I will congratulate the Conservatives for bringing this motion forward. There is no question, I have seen Stornoway turn around. I have seen little piglets brought to Parliament Hill. I remember that party's great person, Deborah Grey, who said, “Never will I take a pension” and boom, like that she took a pension.

Hypocrisy works on both sides sometimes, but the Conservatives have a long way to go to actually cleanse themselves of their previous sins. However, I thank them very much for bringing this motion forward.

Mrs. Lynne Yelich (Blackstrap, CPC): Mr. Speaker, the member spoke about our former Saskatchewan party leader. The member should now come to Saskatchewan and see what the leader with his socialist views is doing. Talk about lies and hypocrisy. We do not have enough time in this House to tell him how very sad it is, the duping that was done in the last provincial election and the promises that were made. There is as well such a declining population in Saskatchewan.

The provincial government has reneged on its agriculture promises that it agreed to with the federal government. The NDP in Saskatchewan is saying that it is up to the federal government to help them. People are having a very difficult time in Saskatchewan. When the member wants to talk about hypocrisy, and I do not know if I can use the word “lies”, he should be looking at his own party, and the socialist views where it wants to share all the wealth. It does not believe in creating it. It is trying to keep everyone suppressed. It only believes in lowering the liquor age and putting VLTs in every bar that pounce on the very innocent and vulnerable. That is where the NDP is taking our province.

I would invite the member to come and see where his party and the NDP philosophies are taking Saskatchewan.

Mr. Peter Stoffer: Ouch, Mr. Speaker, ouch.

However, the name Grant Devine comes to mind. In fact, it got so bad for the Conservatives that in 1981 they took over a profitable province of Saskatchewan from Alan Blakeney, who never once ran a deficit, and in nine short years they ran it to almost a \$12 billion debt, a \$600 million deficit. It took Roy Romanow and his finance minister everything to fix that province.

I see the Conservatives stand up and talk about the farmers and BSE and they are absolutely correct to do that. They should be congratulated for standing up for the farmers. The reality is that the border is not a provincial matter. It is a federal matter. Any funding coming to help those farmers should not be on the backs of the provinces. It should be on the back of the federal government. That is where that argument should take place.

If the member wants to discuss Grant Devine, we could. We could go on to Brian Mulroney, Sinclair Stevens and the list goes on and on. That is why Mr. Mulroney did not even make the top 50 of the greatest Canadians on CBC.

An hon. member: Neither did Grant Devine.

• (1725)

Mr. Jim Prentice (Calgary Centre-North, CPC): Mr. Speaker, I will be sharing my time.

We have before us a motion which deplores the attitude of the Prime Minister of Canada toward the provinces of Newfoundland and Labrador and Nova Scotia. This motion calls upon the Prime Minister and the government to keep their word and allow these provinces to keep 100% of their provincial offshore oil and gas revenues.

This is an important motion not only for the citizens of Newfoundland and Labrador, but for all Canadians. I rise in this debate because I think it is important that the people of Newfoundland and Labrador understand that they have the support of other Canadians. While I am a member of this House from the riding of Calgary Centre-North, I am also a proud Canadian and I wish to bring to this debate the perspective of Calgarians and Albertans on this important issue.

Two years ago while visiting Newfoundland and Labrador, I had the opportunity to speak on a local radio talk show. As it turned out, the hon. member who is now sitting as the Prime Minister of Canada was also visiting the province. I challenged him. I called on him then to commit to the people of Nova Scotia and Newfoundland and Labrador that they would truly, fully benefit from their oil and gas resources, as is the case in my home province of Alberta. I am proud as an Albertan to stand once again to call on the Prime Minister to do the right thing. He did not do it that night on that talk show and he is not doing it now.

Let me be clear. The position of our leader and our party on this issue is unequivocal and unwavering. Our commitment is to ensure that Atlantic Canadians enjoy 100% of their non-renewable resource royalties. This was our position before the election, during the election and it has been our position since the election. It will remain our position until these provinces are dealt with fairly and honestly.

Supply

We have been clear, we have been consistent, and we have been steadfast, but clarity, consistency and steadfastness are not what we have seen from the Prime Minister and his government and those who will speak for him tonight. The prevarications, the perambulations and the peregrinations of the Prime Minister have been chronicled today by our leader. I will not reiterate that sad and troubling record.

Suffice it to say that Premier Williams thought he had the Prime Minister's word on June 5, 2004. In fact the premier was asked at that time whether and how he would be able to ensure that the Prime Minister of Canada would keep his word. Premier Williams, who is himself an experienced and successful businessman, a lawyer and a Rhodes scholar, thought then that the word of the Prime Minister of Canada was sufficient. He said, "It is by word of mouth. I am taking him at his word and that is good enough for me". Woe is the premier, woe are the people of Newfoundland and Labrador, and woe are we as a nation, because the word of the Prime Minister of Canada is good enough for none of us, as it turns out.

It turns out that the people of Newfoundland and Labrador are not entitled to unrestricted access to the resources after all. There are caveats that restrict the time, and caveats which tie the prosperity of the citizens of Newfoundland and Labrador to the fiscal capacity of another region, Ontario. That was not the deal. It was not the deal which the Prime Minister promised to Newfoundland and Labrador.

Why should the people of one province be limited by or tied to the fiscal capacity of another province? Why would we want to limit the economic potential of any region of this country? Why cap the potential of one province to become a new economic engine of our country? Why deny a province the full and unfettered benefit of the resources which it brought into Confederation? Why could the people of Newfoundland and Labrador not depend on the word of their Prime Minister? Because it was during the election.

• (1730)

Thirty years ago Alberta was in a battle with another Liberal federal government over resource revenue. The then Premier of Alberta, Peter Lougheed, wrote to the Liberal Prime Minister and said this: "The point that must be emphasized is that we are concerned about a depleting—a rapidly depleting—resource. We view the proceeds from this resource as a capital asset, the proceeds of which must be reinvested if this province"—Alberta—"is to maintain its economic stability".

Today, because Alberta fought to receive the full benefit of its resources, it is one of the driving economic engines of this country. One hundred per cent was the right thing for Alberta and it is the right thing for Newfoundland and Labrador. It is the right thing for Nova Scotia and it is the right thing for Canada.

These resources will not last forever. The opportunity for these provinces to reinvest these assets into their own economies is now. It will not wait while the Prime Minister dithers.

Supply

Who then will stand up for Newfoundlanders? We on the opposition side have heeded Premier Williams' call. Who will join us in the fight for Newfoundland and Labrador? Where are the Haultains and the Lougheeds of Newfoundland's future?

I say unequivocally that the people of Newfoundland and Labrador can rest assured that there are such men among the Conservatives in the House, in addition to Premier Danny Williams and other Conservatives, such as the leader of our party. We have the hon. member for St. John's South—Mount Pearl, the hon. member for St. John's East, and yes, Rex Barnes, formerly the member for Gander—Grand Falls.

These people are leaders who will protect the future of Newfoundland and Labrador. Their voices resonate in the House. They are admired and respected for their resilience and determination which they have shown in the House. Unlike others, they will not be cowed. Unlike others, they will not be muzzled. Unlike others, they will not turn their backs on their history, their birthright and their fellow citizens.

The Liberals toy with the hopes and aspirations of Atlantic Canadians. They came this past June bearing false promises and there are members opposite who directly benefited from those false promises. Now it is time to stand up and be counted for their promises and their country. The Prime Minister was not forthright with Atlantic Canadians and this is an undeniable truth.

I would like the Prime Minister to reflect on the following words:

Here lies a great and mighty king,
Whose promise none relies on;
He never said a foolish thing,
Nor ever did a wise one.

Many people from Newfoundland and Labrador have contributed to the economic success by working in Alberta. Now Newfoundland and Labrador deserves the chance to enjoy its own economic success. Like Alberta, people will succeed and future generations will count them as the architects of the new deal for Newfoundland and Labrador.

Hon. Don Boudria (Glengarry—Prescott—Russell, Lib.): Mr. Speaker, I listened attentively to the speech of the hon. member. I was a member in the previous Parliament, a whole bunch of parliaments for that matter, and I remember when the same person who is today the Conservative leader said that giving assistance to Atlantic Canada was, in his view, creating a cycle of dependence.

I want to know from the hon. member when his leader stopped believing that and started believing the new proposition that is in today's motion. I am sure Canadians would want to know at precisely what date he converted from the previous mindset regarding assisting people in regions, with particular emphasis on Atlantic Canada I might say, and when he started believing the new one.

I see it agitates members across the way to remind them of the position of the present Leader of the Opposition not that long ago. I do not blame them for being a little perturbed when I remind them of that. Canadians even reminded the Leader of the Opposition of those statements during the last election campaign.

Given that the member is close to the Leader of the Opposition, perhaps he could inform us whether he helped to change the mind of his leader. Did in fact his leader change his mind at all, or is he just posturing today because he sees an opportunity to do so? Perhaps he could assist us and all Canadians in understanding this new conversion on the road to Damascus. Perhaps he could tell us if maybe his leader fell off a horse in order to arrive at this conversion or how else it occurred.

● (1735)

Mr. Jim Prentice: Mr. Speaker, let us deal with what my friend has said. Let us talk about the election and the leader of the Conservative Party in the election.

The leader of the Conservative Party campaigned the length and the breadth of the country, including in Atlantic Canada. He has stood by his word on every matter on which he campaigned, whether it be health care, the Canadian Forces or whether it be a new and fair deal for Atlantic Canadians. On each and every one of these issues, the leader of our party has stood and been counted. He has put out his ideas and he has been prepared to be judged accordingly.

With respect to a new deal for Atlantic Canadians, the leader of our party has been on record for some time pointing out very clearly that we are in favour of 100% of the oil and gas revenues from the offshore resources accruing to the benefit of the citizens of Newfoundland and Labrador. That has been our position. It was our position before the election. It was our position during the election and it is our position today. We are unwavering. We will continue to be unwavering.

This party has never brought forward a concept of a cap, that in some way the economic prosperity of Newfoundland and Labrador should be capped or tied to the prosperity of another region. Who else in Canada faces that circumstance, where their way forward, their future is tied to the economic capacity of another region of Canada? That is not the way forward. That was not the way forward for Albertans and it is not the way forward for Newfoundland and Labrador.

In the province in which I live, many people who have made their way to Alberta, who are succeeding in Alberta, have come from Atlantic Canada. We are proud to count them among us. What we need in the country is to create more opportunity in Atlantic Canada so that those people can succeed, so that their friends and neighbours can succeed in Atlantic Canada and so that some of them, if they so choose, can go back and take part in a thriving, dynamic economy.

The way to do that is to give people access to their resources. I cannot imagine anything in the country that is more unfair than the people of Newfoundland and Labrador being forced to come before the Government of Canada and plead for access to their own resources. They are resources which those people brought to Confederation when they joined this country. They belong to them and they should be benefiting from them.

They should not face the hypocrisy of my friends opposite standing up and saying that they will be capped, that they will be time limited, that they will be limited in any respect in the development of those resources. That is not the Canada we believe in on this side of the House.

Mr. Loyola Hearn (St. John's South—Mount Pearl, CPC): Mr. Speaker, I thank my colleague for sharing his time.

Before I get into the points directly connected here today, I would like to comment on the question from my colleague, the member for Glengarry—Prescott—Russell. He asked about comments made by our leader. Perhaps he should reflect on comments made by his own leader when he referred to Atlantic Canada as a culture of dependency. Maybe he will want to check into that before he starts throwing slurs at other members.

I want to begin by thanking our leader for bringing forth this resolution today and the members on both sides of the House for participating in the debate. It is understood, I am sure, that my thanks to some of them is much deeper than my thanks to others.

Many of the people in the House today, all from our party, all from the Bloc and all from the NDP, have supported the principle of the resolution. Some of the members opposite, one in particular, the member for Random—Burin—St. George's was also very strong in his support for the intent of the resolution.

The resolution was brought forth to give people who represent the various regions of this country the opportunity to stand in the House and let the people of Canada, the people of Newfoundland and Labrador in particular, know how they feel about our request, but also to let the people of Canada know a little more about the great province of Newfoundland and Labrador.

We are referred to as a have not province. We are not. We have plenty. The problem is that we have never been given the chance to benefit from the great resources we have.

Canada joined us in 1949. When that happened we brought with us into Confederation tremendous resources. We had the greatest fishery in the world off our coast. That fishery has now been mismanaged by successive Ottawa-based, Ottawa-controlled governments to the point of almost non-existence.

We have some of the richest hydro producing sources in the world. What happened when we developed the Upper Churchill? Two things happened. First, the Liberal government from Newfoundland, which negotiated the deal with Quebec, gave away the shop. At the time, that government thought it had a very good deal. I want to come back to that, because that perhaps is the crux of why Newfoundland and Labrador is standing so firm today in demanding its full share of our benefits.

When we negotiated the deal on the Upper Churchill, we got about \$10 million. It was a tremendous amount of money back in those days. Quebec got approximately the same thing, except the people who negotiated the Quebec side were much more astute. I do not blame my friends. We would have done the same thing. When I say my friends, it is because they have been very supportive in this. Today we are still getting \$10 million but Quebec, from that same source, is drawing close to \$1 billion a year.

We saw the Minister of Natural Resources, who is from our own province, go to Newfoundland a couple of weeks ago to try to shove a deal down our throats, a deal that was cooked up in Ottawa, without any understanding of the total concept of what the deal was all about. The deal offered us \$1.4 billion over eight years. The

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Newfoundland request, and the deal we thought had been accepted by the Prime Minister, would have brought in over \$4 billion during that same period. Just in that one short timeframe, we would have lost billions and billions of dollars if we had accepted the deal proposed by the government, the deal that it says is a good one.

• (1740)

Besides our hydro power and our fisheries, we were not given the courtesy by the government opposite, by the Liberals, to have a power corridor through the rest of the country to sell our power. Alberta benefits greatly from its oil, but I suggest that part of that benefit comes from having the ability to ship the oil to other provinces where they buy because of the great need. We cannot do that with our hydro power. This government and successive governments have not provided a power corridor for our power to the American markets.

Whatever way members want to look at it, we have been deprived from benefiting from our own resources. That will never happen again.

During the election the leader of our party went to Newfoundland, as did all leaders campaigning, and made a commitment to give Newfoundland 100% of the royalties from the offshore. It put pressure on the Prime Minister who, up until then, had ignored the requests from Newfoundlanders to do so.

In the dying moments of the campaign, under pressure from the Liberal members, some of whom have not said a word yet today on this, although I hope they will in the time that is left, the promise was made. It may have been under duress and maybe he can plead temporary insanity, but he made a promise and a commitment.

Premier Williams and the Government of Newfoundland and Labrador followed up in writing three successive times to ensure that the Prime Minister understood what the deal was about. Did the government respond? No. That led everyone in the province to think the deal was accepted. The leader of the NDP had made a similar commitment in writing. Our leader had made it in writing, as requested by the premier. Did the Prime Minister put his in writing, as requested by the premier? No. The premier, unfortunately, being an honest man himself, took a leader at his word. Danny Williams said, "He gave me his word." Consequently, the premier accepted his word. The Prime Minister has gone back on his word.

Then, after all kinds of pressure, and Mr. Williams having to walk away from the equalization talks to make a point, the Minister of Finance scurried back to his office, drafted an offer and sent the Minister of Natural Resources, as the little lackey, back to Newfoundland to deliver the deal and said, "Here it is. Do you want it, Mr. Williams? Do you want it, Mr. Sullivan", our great minister of finance? "This is it. Take it or leave it. There will not be any changes".

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I believe he was right in saying that because not one of those people across today has said there will be any changes. The Minister of Finance talked about the whole fiscal development around a revenue sharing between provinces. We know that because that is the way it has been. He basically said that is the way it will be. The parliamentary secretary has been spouting the same words all day. Nobody has said that the Prime Minister will keep his promise. The Prime Minister himself has not said a word.

The deal that the Liberals have tried to shove down our throats, the deal that they have been saying all day is a good deal, is not a good deal and it is not a deal that we will accept today or tomorrow. We will never accept it.

What we want is what the Prime Minister promised and we will not settle for less. If this government does not want to give that deal to the people of Newfoundland and Labrador, let me assure members that the next one will.

• (1745)

Hon. Don Boudria (Glengarry—Prescott—Russell, Lib.): Mr. Speaker, we are making some progress here. We are trying to find the date on which the now Leader of the Opposition changed his mind about Atlantic Canada. It is very important for the House to know this. We now know that on May 29, 2002, the member for Calgary Southwest said:

—there is a culture of defeat that we have to overcome. It's the idea that we just have to go along, we can't change it, things won't change. I think that's the sad part, the sad reality traditional parties have bred in parts of Atlantic Canada.

We know of course that the member for Central Nova was very disturbed at this because at the time he said:

Comments Tuesday by [the member for Calgary Southwest], leader of the Canadian Alliance, reinforce what a narrow, regionally based party the Official Opposition continues to be. We should not be surprised by [his] ill-informed and antagonistic attitude.

Would the member tell the House when the ill-informed antagonistic attitude of the Leader of the Opposition changed from what it is today? We know it was ill-informed and antagonistic because the member for Central Nova told us so, and he always tells it as it is. Therefore, we want to know precisely on what date the Leader of the Opposition became better informed.

• (1750)

Mr. Loyola Hearn: Mr. Speaker, if I were that member I would not have the gall to stand in the House in a debate about the future of Newfoundland and Labrador, when a couple of days ago in this very House, following some questions from our leader, our deputy leader, the member for St. John's East and myself, that member said to the Speaker at the time, "Now I do not want to disturb the trend of questioning, but what about an important question?" He was telling us that raising questions on the deal promised to Newfoundland and Labrador were not important. He should not even have the gall to be in here when we are talking about Newfoundland and Labrador.

Let me answer him when he refers to comments made in the past. First, I would like him to show me one politician who has said something because of not knowing about the bigger picture in the past that he would not love to take back. When did he change the mind of his Prime Minister who said, when he was talking about the CoR Party in P.E.I., "They will be speaking to empty halls in

Atlantic Canada when we end the legacy of dependency that Confederation has given them". What is the difference?

Now that we are on even terms, let us get back to what we are talking about, a deal for Newfoundland and Labrador.

Mr. Charlie Angus (Timmins—James Bay, NDP): Mr. Speaker, we could look at the negative things which are the broken Liberal promises or we could, as Johnny Mercer would say, accentuate the positive, which is the whole issue of equalization payments and clawbacks.

I am feeling very good tonight in the language being used about giving people a chance to come up. That is really moving. It is good for Canada because there has been a fear that some of the hon. members of the opposition are negative about that approach. I think the idea of equalization and ending clawbacks that we are going to apply to Newfoundland we could perhaps apply to Canadians in general.

For example, in the province of Ontario a few years ago the Ontario Tories came up with the idea of clawing back money that was given by the federal government to the poorest children in the province. Many women have come to my office over the last year asking me to explain how a program designed to put food into the mouths of the poorest children of Ontario could be clawed back by the Conservatives. I had no answer for that. How could one steal food out of the mouths of babes?

I think about the example a few years ago of a woman in Ontario who was nine months pregnant and was left locked in a room to die because she was collecting welfare payments at the same time that she was getting student loans. That was a program that was not illegal under the New Democrats but the Conservative government decided it was an unfair equalization. She could have been allowed to pay back the money as some provinces are allowed to pay back over-equalization but the Conservatives did not allow her to pay it back. Instead they made an example of her.

We are setting a precedent tonight. I will tell Canadians that they should not be afraid of those hon. members, that those people have turned over a new leaf. It is a good sign for Canada. I would like to commend the hon. member of the opposition for his warm stand for Canadians. We are setting a wonderful precedent.

• (1755)

Mr. Loyola Hearn: Mr. Speaker, I would like to thank the hon. member for raising the main point, that people in the House had a chance to speak out. The unfortunate thing about this is that people who are watching this tonight are waiting to see us vote. We fought for it. The Conservative Party, the NDP and the Bloc asked for a vote this evening on this very important issue. Who cancelled the vote? Who refused to vote? The Liberals. Why? Because they do not have the gall to stand up in the House and tell their own leader, the Prime Minister, that they do not believe a word he said.

With regard to the member's comments about Ontario, the people of Ontario dealt with that government. The people of Canada will deal with this one.

Hon. Geoff Regan (Minister of Fisheries and Oceans, Lib.): Mr. Speaker, I will be splitting my time.

I am very pleased to take part in today's debate because it deals with an issue that is very important to the future of my province, Nova Scotia, and also to Newfoundland and Labrador, the birthplace of my grandmother as a matter of fact. She was born in Cape Broyle and grew up on Bell Island, next door to the member for St. John's South—Mount Pearl as he points out.

It is also important to get the facts on the table and explain exactly what is at stake in this situation and these discussions, which I am pleased to say are ongoing.

In my province for example, we are talking about something in the range of \$80 million a year in additional revenues, on top of the revenues recently agreed to, new revenues, increased revenues for health care. This year, for instance, in Nova Scotia there is \$62 million more for health care. That is important in my province. It is meaningful. It has real meaning for people who use the health system.

There is an additional \$151 million this year in equalization money. That is important also. That has a real impact. My kids are in public schools in Nova Scotia. It is important to them to have good schools.

It is important to both provinces to have those benefits. Of course, all provinces that receive equalization depend on those moneys to provide good education and good health care. It is very important.

The fact of the matter is we are talking about this and we have these additional revenues coming because of the promises the Prime Minister made and the commitments this government made during the election, the commitments that we are living up to.

During the election the Prime Minister promised that our province, Nova Scotia, would retain the full benefits from its offshore resources. We already receive, as colleagues know, all the royalties and revenues. This is all about equalization and what happens with equalization.

We are also talking about building and strengthening the Nova Scotia economy and about working to make our province, from our point of view at least, and colleagues from my province would agree with this, the economic engine of the Atlantic region. I am sure my colleagues would agree with that on both sides of the House.

That is why it has been critical for the federal government and provincial governments to have ongoing discussions in an effort to conclude a deal. It is why both sides have stayed at the table to explain their positions and work together to find a solution, to get the right wording that gets the job done for Nova Scotia. That is why we continue to make progress. I am very encouraged by the progress that is being made. This is a process that is serving Nova Scotians well, a process that should be allowed to continue.

The Minister of Finance and I have worked closely on this file for a number of months now, with Cecil Clarke, Nova Scotia's minister of energy. I can say to members on both sides of this House that Minister Clarke's mature and responsible attitude throughout these talks is deeply appreciated and very constructive. I know the Minister of Finance would join me in that sentiment. I have enjoyed working with Minister Clarke and the Premier of Nova Scotia to

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discuss these matters in working toward an agreement. I am confident we will see one before long.

Speaking of which, I was pleased to see just outside the House today the minister of fisheries and agriculture from Nova Scotia, Chris d'Entremont, with whom I also work regularly. I recently had the pleasure of working with him when we were in Whitehorse for meetings of the provincial, territorial and federal ministers. We had a very good session. We are working on a number of fronts in a very positive way. That is important because that kind of cooperation between levels of government is vital.

I am pleased with the strong degree of cooperation between the two parties in these discussions, despite the best efforts by others to put their own selfish interests ahead of the interests of Nova Scotia. We have seen that in this debate.

Not only do the ongoing talks show that both parties are committed to doing what is right for Nova Scotia, they also show that they can keep petty politics from derailing the process. We are going to make sure that it does not derail the process no matter what members on that side want to achieve, because that is what the people of Nova Scotia want. They want these discussions to continue fruitfully, not get derailed by politics. The people of Nova Scotia want both sides to work together to make sure that at the end of the day we have a deal hammered out. That is where we are going.

I can only hope that my colleagues across the way, the Conservatives, are genuine in their interest in discussing the proposed deal that has been put on the table. If they are, they will recognize, as any reasonable person would, that this government is being fair to Nova Scotia. We are committed to working with the province in good faith to work out an agreement that works. This government is committed to providing Nova Scotia with 100% of its offshore revenues. That is important and that is the basis of our discussions.

● (1800)

There is another important point that ought to be clarified. The Government of Canada has made it very clear both orally and in writing that if a deal is reached with either Nova Scotia or Newfoundland and Labrador, similar terms will be offered to the other party. There will be an equivalent deal either way. That has been the deal all along. That is very clear. There is no doubt about that.

It means there is no risk for Nova Scotia to accept the offer which has resulted from the ongoing negotiations. I think we are very close to that point.

I am not sure why the opposition finds a deal that gives 100% of its offshore benefits to Nova Scotia so deplorable. In fact I would put this deal up against the one the opposition leader tried to slide by Atlantic Canadians during the election. It sounded very good. It sounded like 100% but if we look at the fine print, in the case of Nova Scotia in fact it would have meant \$6 million less in equalization and the opposition members know it. They make all these noises about suddenly being friendly to Atlantic Canada, but we see lots of converts on that side to this care about Atlantic Canada today.

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I find it quite remarkable after all the years of attacks on Atlantic Canada from that side of the House how wonderful they feel about us today. It is really heartwarming.

The opposition says that our government's treatment of Newfoundland and Nova Scotia is deplorable. This raises a few questions given what has been achieved in the past year.

What is deplorable about billions of dollars in additional money for health care? What is deplorable about billions more in equalization? I am not hearing any answer, but I am sure I will in due course.

An hon. member: Reneging on your deal is deplorable.

An hon. member: Not giving 100% is deplorable.

An hon. member: Not keeping your word is deplorable.

Hon. Geoff Regan: Mr. Speaker, I have got them excited now. They are awake again. I am pleased I woke them up.

How about the GST rebate? How about child care, which they are not interested in of course? How about funding to clean up Halifax harbour and \$290 million to clean up the tar ponds in Sydney? Are those the kinds of measures that they are against?

We have shown our commitment to Nova Scotia in each of these instances. The deal on the offshore will be no different.

This commitment is much stronger than the members on that side have shown and Atlantic Canadians know it. We saw that in the last election. Atlantic Canadians rejected their regressive policies in the last election.

They know them well. They know who these guys are. They have listened for the past decade to that party across the way. They have heard the members of that party. They have not forgotten what they have said all along. They are braying now because of how much it hurt them during the election to have Atlantic Canadians actually understanding what they are really all about over there. They rejected the Conservatives' inadequate offshore offer in the last election.

Mr. Peter MacKay: It is funny how that diplomatic tone has disappeared now.

Hon. Geoff Regan: Mr. Speaker, I am hearing a concern about diplomatic tone. The fact of the matter is that we have had very good discussions with the provincial government.

When those members talk about a deplorable attitude and they accuse us of not having a diplomatic attitude, I do not know how they can suggest that. How could they possibly come up with that? It really is amazing.

The fact of the matter is Atlantic Canadians rejected, not their own provincial governments, that is not what I am talking about. They rejected the notion of that party, which has been saying that they have in Atlantic Canada a defeatist attitude.

In the interests of Nova Scotia and Atlantic Canada in general, it is very clear to me that the House should reject what really is a nasty, negative, deplorable motion.

● (1805)

Mr. Peter MacKay (Central Nova, CPC): Mr. Speaker, I heard the Minister of Fisheries and Oceans throwing the word deplorable around a lot in his rhetorical flourish. He started off in such nice diplomatic terms and he was on the high road, but he descended very quickly, as is often the case, into the usual attacks and the distractions and the deflections in an attempt to get away from the real issue.

The real issue is the Prime Minister keeping his commitment to Atlantic Canada, giving that province and Newfoundland and Labrador 100% of the revenues, 100% of the benefit that should flow to the minister's province. He should be the strongest defender of the province in that regard. He should be the first one to line up and back the premier of Nova Scotia and ensure that it happens. That is not the case. He is spouting the government line here today, just as we have heard from all members opposite throughout this debate.

The reality of what is happening is that the Prime Minister and the minister himself, who has been involved in these negotiations, have added conditions. They have added an eight year cap. They have put in place this equalization stacking, which will prevent the province from receiving 100% of the benefits. When we see more revenue coming on stream in future development like the Deep Panuke project, the clawback will kick in again and Nova Scotia will not receive 100% of the benefits. The minister knows that. He is being mendacious if he is telling us otherwise. He is being very, very disingenuous. I will tell—

Some hon. members: Oh, oh!

Some hon. members: Point of order.

The Acting Speaker (Mr. Marcel Proulx): The member knows.

The Minister of Fisheries and Oceans.

Hon. Geoff Regan: Mr. Speaker, I must say it is certainly entertaining to hear that member talking about breaking promises, because if ever there were an expert in the House, he knows all about that area. All we have to do is ask David Orchard about that.

The fact of the matter is that we are working hard on behalf of Nova Scotia. We are working toward an agreement. We are working in a positive tone with the provincial government.

Those members know that and he is upset about the fact that I am talking about the history of his own party and their own comments in the past. It is no wonder he is upset. He must have his own problems with the comments of his own leader in the past and generally with those of members of his party toward Atlantic Canada. He knows what the attitude has been toward Atlantic Canada. It has been negative throughout, but Atlantic Canadians know that too and that is the reason they so clearly rejected his party in the last election and will in the next election again.

They know what those members stand for. They know how that party feels about the charter of rights and how it rejects the charter of rights. They are very upset now, and I see that, but the fact of the matter is that the deal on the table now is much better than the deal that their government, the Conservative government, negotiated in 1986. In fact, that is the problem here, the basis of that deal. If it had been done well back then by that government, it would be all right and we would not be having these discussions.

It is better than the Conservative deal that was put on the table this summer by the Leader of the Opposition, which would have cost my province \$6 million.

An hon. member: Six million dollars is a lot of hospital beds.

Hon. Geoff Regan: It is better than the present situation, and \$80 million more a year for my province is real benefit, it is real dollars, and we should not have this nonsense of deplorable attitudes. The other night we saw that party join the Bloc Québécois in a motion saying that there was a fiscal imbalance.

What they are really all about, in other words, is not only supporting a separatist motion, but they are about dismantling the Government of Canada. What they want is a weaker federation. Canadians do not want that, but those members do not understand that they are on the wrong wavelength. They are out of touch with Canadians and what they want.

When they understand that, when they come around from that position, they might get somewhere, but they are a long way from that right now.

• (1810)

Hon. John McKay (Parliamentary Secretary to the Minister of Finance, Lib.): Mr. Speaker, as the last speaker in this debate that has gone on all day I probably should try to stick to the facts, which the hon. members opposite seem to be somewhat unable to do.

Here are the facts. Offshore resource revenues are today owned and collected 100% by the provincial government. Equalization payments come on top of that. On top of that, the Government of Canada adds at least another 30% bonus to offset equalization reductions due to higher offshore revenue. We are proposing to do this and to add a further bonus of 70% for a grand total of 100% in offsets on top of the 100% in provincial resource revenues. This will be for eight years for this arrangement, unless the province's combined revenues from these four sources reach the level of Ontario's on a per capita basis.

Let us recap. Premier Williams has asked for 100% of offshore resource revenues. He already has this and he will continue to receive 100% of his offshore revenues. He wants an arrangement that will not reduce equalization revenue. Our offer does that by providing matching payments to ensure the province is protected against 100% equalization reductions due to its offshore oil revenues until its total fiscal capacity rises to that of Ontario.

This offer provides a guarantee of eight years, after which it would be reviewed. And the province will continue to receive full benefits under the Canada-Newfoundland Atlantic Accord as well as fully enjoy the benefits of the generic solution under the equalization program.

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In the end, Newfoundland and Labrador will receive \$2 for every dollar it receives in oil benefits until it reaches Ontario's revenue potential.

The Government of Canada's offer is fair to the people of Newfoundland and Labrador as well as to all Canadians, and that offer is still on the table.

I would like to, if I may, contradistinguish that to the Leader of the Opposition, who during the election was quoted by the reporter from the CBC. She described that proposal fairly. Leslie MacKinnon said, "Under that proposal, the non-oil and gas producing provinces are disadvantaged because the equalization formula would change and they would lose money". Then the minister of finance for Manitoba said that "New Brunswick, Prince Edward Island, Quebec and Manitoba would likely see their position deteriorate relative to those provinces dramatically over time, and it would create a two-tier Canada".

Then the reporter said:

In fact, the reality is that the Conservative plan announced in the east with such fanfare, designed to help the poorest provinces in Confederation, would actually benefit the two western provinces the most because of their oil and gas revenues and because one has a large population.

Under the opposition leader's formula, said the reporter, B.C. would receive a significant increase. Saskatchewan would also receive a significant increase. Newfoundland would do well, with about \$180 million extra. Nova Scotia initially, because its revenues are small now, would see a net loss of \$6 million. The two other Atlantic provinces with no oil or gas production, New Brunswick and P.E.I., would also lose. But, said the reporter, the opposition leader said he would ensure a transition period and no province would receive less. The Manitoba finance minister made this comment, "It would be somewhat equivalent to me saying your salary will never go down, but hey, don't worry, everybody else's salaries will go up".

• (1815)

Canadians have heard this debate all day. They have seen the proposal put forward by the government. It is a 100% proposal, and I just read into the record the proposal by the Leader of the Opposition.

I see that my time is up, so I say to Canadians that they can compare—

The Acting Speaker (Mr. Marcel Proulx): Order. It being 6:15 p.m. it is my duty to interrupt the proceedings and put forthwith every question necessary to dispose of the business of supply.

The question is on the motion. Is it the pleasure of the House to adopt the motion?

Some hon. members: Agreed.

Some hon. members: No.

The Acting Speaker (Mr. Marcel Proulx): All those in favour of the motion. will please say yea.

Some hon. members: Yea.

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The Acting Speaker (Mr. Marcel Proulx): All those opposed will please say nay.

Some hon. members: Nay.

The Acting Speaker (Mr. Marcel Proulx): In my opinion the nays have it.

And more than five members having risen:

The Acting Speaker (Mr. Marcel Proulx): Call in the members:

And the bells having rung:

The Acting Speaker (Mr. Marcel Proulx): Accordingly the vote stands deferred until Monday, November 15, 2004 at the end of government orders.

I want to point out that as the time spent overseas away from their families is increasing for many of our troops, some of these same families are still living in on-base housing that is sadly substandard, and the Canadian Forces Housing Agency continues to increase their rents; all this while a private in the Canadian military is still only being paid about \$26,000 a year. We just learned recently—and thank goodness we do have caring citizens out there—that charities are raising money for Christmas hampers for needy military families.

The Conservative Party has been very honest with Canadians about our steadfast desire to restore resources and morale in the Canadian Forces. If the government were as forthright, it would admit that it does not have the political will to do the same.

● (1820)

Hon. Keith Martin (Parliamentary Secretary to the Minister of National Defence, Lib.): Mr. Speaker, the opposition member knows full well that the question he posed to us was on the HMCS *Chicoutimi*, which I will deal with in a moment. However, I will address some of the concerns he has mentioned and some of the accusations that are baseless.

First, on the issue of equipment, very recently the government made a commitment of \$7 billion for the purchase of five new equipment platforms for our military. This will address some of our concerns. We have also made a commitment to increase our troops by 5,000 on the sharp edge of our regular forces, plus 3,000 members in our reservists.

We cannot do everything, but I would submit that this is a very good start in trying to improve the conditions for our armed forces and ensuring they have all the equipment, the tools, the manpower and the training they need to do their job.

The opposition member also mentioned substandard equipment and suggested that the HMCS *Chicoutimi* was of that nature. I can tell the hon. member that when the House and the standing committee on national defence got together to discuss this, the issue of submarines came up. All parties, including the member's party, recommended unanimously that we purchase the four Upholder subs from Great Britain. This was a recommendation that was put forth to the government. The government acted on that recommendation and purchased the subs. If I can quote the head of our maritime forces, Admiral MacLean, and the British defence admiralty, both agreed that the Upholder submarines were excellent submarines.

We have the largest shoreline of any country in the world. It is our responsibility to ensure that we guard that area and that we have the ability to patrol those waters. With 40 countries in the world having subs, it would be ridiculous if we did not have them. We managed to purchase those subs at one-quarter of their value. With 80% of their lives left, that is a good deal. I think I can say that members from all political parties recommended we purchase them.

In closing, we do not account for a moment or except the claims the member has made.

ADJOURNMENT PROCEEDINGS

A motion to adjourn the House under Standing Order 38 deemed to have been moved.

[*English*]

NATIONAL DEFENCE

Mr. Jay Hill (Prince George—Peace River, CPC): Mr. Speaker, before starting my remarks on the adjournment proceedings, I want to say it is quite shameful that the government would defer the vote without the approval and without negotiating with this party when it was we who put forward the opposition motion today. It just shows that the Liberals want to avoid the vote until after the break week.

When I asked the Minister of National Defence during question period on October 22 about the tragedy on board the HMCS *Chicoutimi*, he replied that we owe it to each other in the House to be forthright. Well the official opposition has been very forthright about our belief that the men and women of our armed forces deserve the support and the respect of their government. The government however has been far from forthright when it comes to its intentions for the Canadian Forces. It is gutting the morale and capability of our army, navy and air force by stealth.

The Prime Minister, the Minister of National Defence, and his parliamentary secretary are well versed at offering up platitudes to Canadians about how they want to provide the best equipment necessary to our troops. Yet not only have they denied the resources necessary to replace old, broken down equipment and supplies, they will not even give our soldiers, airmen and sailors the money they need to keep their present equipment running.

Officials from the Department of National Defence reported earlier this year that the government had left the forces so short of cash in the coming fiscal year that they would not be able to afford the fuel required to sail ships and fly aircraft. How can the minister claim to be forthright when he says his government supports the Canadian Forces but then he forces our military men and women to make do with questionable second-hand equipment like the *Chicoutimi*?

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On the issue of the *Chicoutimi*, I summarize by saying this. When the member brought up this question, he made some accusations. I was here when the Minister of National Defence informed every leader and every party in the House in real time of what was happening after the families were informed. They were kept informed in real time to ensure they had the information that was of concern to all of us. That is responsible governance. It is our duty and we will continue to do that.

• (1825)

Mr. Jay Hill: Mr. Speaker, it is absolutely shameful for the member to stand in his place and make such outlandish statements to the Canadian public. When he was a member of the opposition, he used to raise concerns about our young men and women in the military and their substandard housing, some of which is in his own riding. Now he stands over there and tries to pretend that the government he decided to join belatedly so he could get his exalted position is actually doing enough for our military. It is absolutely shameful and he should be ashamed of himself.

The minister at the time stated, "All hands are safe and handling the accident very well". Either he was getting this information or he was misinforming the House and, by extension, the people of Canada.

Let us be very clear about this. The navy bought these subs because they were the best it could afford and because the government would not give it adequate resources. That is the reason it bought them. He pretends to indicate that this is something the navy willingly did. It was only because that is all it could afford.

Hon. Keith Martin: Mr. Speaker, as I said before, the subs were purchased on the recommendation of all parties in the House. Yes, we purchased them and it was the right thing to do. The member might want to inquire, if it had cost four times that much to purchase submarines, would we have had the money to do that? We did not. With the resources we have, we make sure we get the best bang for the buck for the Canadian public.

On the issue of informing the public about the situation, I can tell the member that the House was informed in real time as quickly as we received the information. That information was given under very difficult circumstances.

The members of the Canadian Forces and the crew of the *Chicoutimi* are heroes in all of this. They ensured that we had the best information we could have had under difficult circumstances. As things changed, we again informed the House and the public on what was happening. All information was given in an utterly transparent fashion. I think there was nothing more that anybody could have done.

ATLANTIC CANADA OPPORTUNITIES AGENCY

Mr. Greg Thompson (New Brunswick Southwest, CPC): Mr. Speaker, on October 22, I put a question to the Minister of the Atlantic Canada Opportunities Agency. The point I was making in that exchange on that Friday afternoon was the fact that Liberal members of Parliament were suggesting that ACOA was not working properly and that there was patronage and unfairness in that agency.

I know how the minister will respond to that. He will say that the mere fact that the member is complaining about not getting anything

indicates that patronage must not exist. However, that member is not inside the Liberal inner circle. I think he speaks with some authority and some accuracy, and he is not alone in his thoughts.

When I made those statements in the House in my preamble to my question to the minister, he thought I was referring to the former president of ACOA, Norman Spector, who happened to be hired under the previous Conservative regime. However, I was not referring to Mr. Spector, although he went on in the same tone that the member for Miramichi did, in that it was commonplace during his tenure that Liberal members of Parliament would call up and force him to do a deal, and ministers would routinely do that.

There is further evidence by others in the public that ACOA needs revamping. I have suggested some of these things publically as well. There is the former premier of New Brunswick, Frank McKenna, and most of us in this place have heard that name. Here is the headline from the Moncton *Times & Transcript*, of September 30. It states, "McKenna thrashes feds; Former premier says economic prosperity for Atlantic Canada needs changes to immigration, a tax credit, revamped ACOA". He went on in detail on what he thought should happen. The fact is ACOA has to be depoliticized.

One of the points I made to the minister, and I tried to emphasize this in some of the interviews I provided to the press after some of these exchanges, involved the board of directors at ACOA. Let us put some authority in its hands and let us find a new way to choose that board. It should not just serve at the pleasure of the prime minister or cabinet of the day. Let us have some independence in terms of how that board is selected. Let us select professional people who make decisions outside this partisan arena.

It is fine to stand in the House to criticize the agency and the minister, but in that criticism I am offering very positive suggestions. I suggest that the minister take a look at this proposal. Let us start with the agency and the board. I am not critical of the individuals on the board, but I do not think they should be subservient to the prime minister of Canada and to the minister. Let us give that board some real powers. If we are to start, let us start there and attempt to revamp the agency. We do not need to reinvent the wheel. Let us give that a try and see how it works. I look forward to the minister's response to that very positive suggestion.

• (1830)

Hon. Joe McGuire (Minister of the Atlantic Canada Opportunities Agency, Lib.): Mr. Speaker, as the minister responsible for the Atlantic Canada Opportunities Agency, it is my responsibility to help build a stronger economy in Atlantic Canada, and I take the job most seriously.

In discharging my responsibilities, I know I have a caucus and colleagues from across Atlantic Canada who share my belief that the Government of Canada can and must make a meaningful contribution to regional development in this country.

Our government's commitment to this principle was underscored in the Speech from the Throne, which reads:

Canada's regional economies are a vital source of economic strength and stability. Support for regional and rural economic development will target the fundamentals... by employing the regional agencies and tools such as the Atlantic Innovation Fund.

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The Prime Minister himself summed it up best in his reply to the Speech from the Throne when he said:

We believe that Canada is strongest when all parts are strong.

That is what Canada is all about and that is why ACOA exists. What it does is work in partnerships with universities and colleges to generate more research and development; with banks and other commercial lenders to make sure that entrepreneurs have access to capital to start and grow their businesses; with other federal departments and provinces to promote trade and investment; and with tourism industry associations to market and promote the region as a prime tourism destination.

Now I would like to turn to some of the politically motivated allegations made by the hon. member. First and foremost, the member should know that 100%, that is each and every investment decision made by the agency, is based on due diligence and careful assessment by ACOA officials on a business plan or a project proposal.

As I have pointed out on a number of occasions, since 1996 ACOA issues repayable loans to commercial clients instead of grants. Ninety-eight per cent of ACOA's business loans, including all those below \$500,000, are approved, not by the ACOA minister directly, and certainly not by other members of Parliament, as has been suggested, but by the agency's senior executives in the four Atlantic provinces.

The average funding per project provided by ACOA is in the order of \$156,000. It is very clear that the ACOA minister does not even see the vast majority of these applications.

Secondly, it is worth noting that the Auditor General of Canada has undertaken two comprehensive audits of the agency, one in 1995 and the other in 2001, and found on both occasions that the management practices at the agency were very good.

Finally, one of the ideas that has been put forward by the member for New Brunswick Southwest is an arm's length board of directors that would have final say in all funding applications.

ACOA does have an advisory board comprised of highly capable and dedicated Atlantic Canadians. They meet regularly and provide valuable advice to the minister on a variety of policy and strategic matters.

Prior to 1993, the board had 18 members who were involved in making recommendations to the minister on all projects over \$500,000. In 1994, the government asked Dr. Donald Savoie to review the board's role. On the strength of his findings, not only did we significantly reduce the number of members but we also ended the board's involvement in reviewing and recommending funding

approvals. That role now rests with agency officials who live and work in communities across the region.

The reality is this. ACOA is making a difference. It is making a difference in Gander, Truro, Bloomfield, Glace Bay, Bathurst, Antigonish and it is making a difference in St. Stephen.

I urge the hon. member to tone down the rhetoric and work with all Atlantic Canadians to move the region forward.

• (1835)

Mr. Greg Thompson: Mr. Speaker, I do not think the rhetoric is over the top. I think we are being pretty thoughtful in some of the ideas we are putting forward. I am speaking in the same tone as the former premier of New Brunswick. He believes that the agency has to be revamped, that it has to follow another model and that it has to be renewed, and that is what we are suggesting to the minister.

We understand there are problems with the agency but it is time the government recognize that. The government has been in power now going on 12 years. It cannot blame all of the mistakes of ACOA on the past regime. I have often suggested that the former Conservative government made mistakes at ACOA as well, but this is the year 2004. It simply cannot go back to the past and pretend there is nothing wrong with the agency.

We have some very positive suggestions. We know political interference does occur, and there are many examples—

The Acting Speaker (Mr. Marcel Proulx): The Minister of the Atlantic Canada Opportunities Agency.

Hon. Joe McGuire: Mr. Speaker, I would like to quote two passages. First, the hon. member said on May 4, 2004:

There is hardly an area or community within New Brunswick Southwest that hasn't benefited directly from ACOA's programs. The list of firms that used ACOA support to expand and create direct jobs reads like a who's who of successful business and industries all across the riding.

Second, David Ganong said:

Here in Atlantic Canada, private companies do not have enough access to capital. And for companies like Ganong—that want and need to grow—to effectively compete, ACOA has filled a very meaningful role.

That is why it is still in St. Stephen, that is why it is still in his riding, and not in Montreal or Ontario.

[*Translation*]

The Acting Speaker (Mr. Marcel Proulx): The motion to adjourn the House is now deemed to have been adopted. Accordingly this House stands adjourned until tomorrow at 10 o'clock a.m. pursuant to Standing Order 24(1).

(The House adjourned at 6.37 p.m.)

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