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—
Chair

Mr. Brian Pallister

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•(1535)

[English]

The Vice-Chair (Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.)): I'd like to get started right away, because we only have about an hour with the minister.

[Translation]

We are here, pursuant to the order of reference of Tuesday, May 15, 2007, to examine Bill C-52, An Act to implement certain provisions of the budget tabled in Parliament on March 19, 2007.

[English]

Mr. Flaherty, do you have an opening statement for us? Yes, okay. So if you can keep it to a brief intervention, then members will have questions for you.

I appreciate your coming before us, taking time out of your day. The floor is yours. Thank you.

[Translation]

Hon. Jim Flaherty (Minister of Finance): Thank you, Mr. Chair. I am pleased to appear before the members of the committee today to discuss Bill C-52, which implements certain provisions of the 2007 budget, and other fiscal measures announced before the budget was presented.

[English]

I would note, as usual, that the remaining budget 2007 measures will be included in a second budget bill, which we will introduce in the fall session.

Since March 19 I've had the opportunity to travel across Canada to discuss the budget with Canadians from all walks of life. I've also had the opportunity to travel to New York and Tokyo and London to promote Canada and all that we have to offer.

People are aware of the fact that we're making our strong Canadian economy even stronger. They recognize that we are creating an environment that encourages investment, rewards hard work, and further opens the door for our investors and entrepreneurs and risk-takers.

[Translation]

Canadians have a right to be proud. Our country is a leader in the global economy. We have the most solid financial foundation of all the countries of the G-7. We are the only member country that continues to record budgetary surpluses and whose debt burden is being reduced.

[English]

Although we have only been the government for 15 months, we've moved the yardsticks considerably on a number of fronts, first with budget 2006, then our tax fairness plan, and then with budget 2007. Budget 2007 is an historic document that begins delivering on our long-term economic plan for Canada, called Advantage Canada.

Advantage Canada is a plan that seeks to mobilize the most compelling research, innovation, investment, and competitive forces in our society. It is a plan that sets out a bold and exciting course for a strong and united Canada, a Canada with purpose and passion that believes in itself and is a shining example to the world of what a great nation can be. It is a plan that will lead to a more rewarding future for Canadians and their families.

Advantage Canada focuses on creating five key advantages, which are reflected in this bill and reflected in budget 2007: first of all, a tax advantage, reducing taxes of all kinds and establishing the lowest tax rate on new business investment in the G-7; secondly, a fiscal advantage, eliminating Canada's total government net debt in less than a generation; third, an entrepreneurial advantage, reducing unnecessary regulation and red tape and increasing competition in the Canadian marketplace; fourth, a knowledge advantage, creating the best educated, most skilled, most flexible workforce in the world; and finally, an infrastructure advantage, building the modern bridges, roads, gateways we need to link our nation and make our workers and businesses more efficient.

Now, if we're to achieve these goals and maintain an upward trajectory, we need to adopt the measures contained in Bill C-52. As part of our plan to create a fiscal advantage for Canada, Bill C-52 proposes to enact our tax-back guarantee, which will provide taxpayers with a direct benefit from debt reduction. Lower debt will mean fewer interest payments, which will mean lower taxes every year.

The interest savings related to our national mortgage will be passed on to Canadians in the form of personal income tax relief. That relief will be permanent and ongoing.

•(1540)

[Translation]

Mr. Chair, I say and I repeat, Canadians are paying too much tax. This is why the government is also moving to create a Canadian tax advantage.

[English]

In fact, measures introduced by Canada's new government will reduce taxes for individuals by nearly \$38 billion over three fiscal years. Bill C-52 proposes to implement several important tax relief measures, including the tax fairness plan I announced last October. Our plan increases the age credit amount by \$1,000 to \$5,066 as of January 2007. This will benefit low- and middle-income seniors by ensuring that less of their income will be subject to tax.

[Translation]

The plan also makes one of the most significant changes to the federal tax system to have been made in a long time. This is the decision to allow Canadian seniors, starting this year, to share up to half of their pension income with their common-law spouse.

[English]

Taken together, these measures will put some \$1 billion a year more into the pockets of Canadian seniors.

Budget 2007 also proposes significant tax relief for Canadian families, a working families tax plan, and that relief is also set out in Bill C-52. The first part of the four-part plan helps Canadian families with children. The plan includes a new \$2,000-per-child tax credit for children under the age of 18. It will provide more than 90% of tax-paying families with the maximum benefit of \$310 per child.

The second part of the plan will increase the spousal and other amounts to the same level as the basic personal amount. Single-earner families will receive the same tax relief as that already provided through the basic personal amount to two-earner families; that is, the elimination of what has often been called the marriage penalty in Canada.

Third, the working families tax plan strengthens the registered education savings plan, RESP, to help parents save for their children's education. The \$4,000 annual limit on RESP contributions will be eliminated and the lifetime limit will increase from \$42,000 to \$50,000. We will also improve access to RESP funds for part-time post-secondary students. Moreover, the maximum annual amount of the Canada education savings grant that can be paid in any year will be increased to \$1,000 from \$800, if there is unused grant room from previous years.

The fourth component of the working families tax plan builds on the tax fairness plan. It will raise the age limit for maturing RPPs and RRSPs to age 71 from age 69. This change recognizes that many older Canadians want to continue working and saving. It is important that we help them pursue these goals.

We are also committed to providing an economic environment in which Canadian businesses can thrive. In budget 2006 we reduced the corporate tax rate to 19% from 21%. Under the tax fairness plan, Bill C-52 proposes to reduce that rate by a further 0.5%, effective January 1, 2011, to 18.5%. Additional corporate tax measures in budget 2007 will be introduced in the second budget implementation bill, to which I referred earlier.

Of course, Mr. Chairman, there's much more to budget 2007 and to this bill than tax relief.

●(1545)

[Translation]

For example, in Bill C-52, Canada's New Government is proposing significant measures that will help to clean our environment and improve our health care system.

[English]

It is only through a healthier environment that Canadians can create the quality of life and standard of living to which we all aspire. With that goal in mind, budget 2007 invests \$4.5 billion to clean our air and water, reduce greenhouse gases, combat climate change, and preserve our national treasures, which are also natural treasures, like the Great Bear rain forest on the central coast of British Columbia. Bill C-52 takes the first step by proposing to support major clean air and climate change projects through a new \$1.5 billion Canada ecoTrust. This is an innovative way to engage the provinces and the territories and improve our environment for the benefit of future generations.

On health care, as we all know, Mr. Chairman, our health care system is an important part of what defines us as Canadians. That is why Canada's new government is committed to implementing the 10-year plan to strengthen health care. This will provide \$41.3 billion in new federal funding over 10 years to the provinces and territories. In support of that commitment, Bill C-52 proposes to provide up to \$612 million to help eligible provinces and territories move forward with patient wait time guarantees in key areas such as cancer treatment, heart procedures, diagnostic imaging, joint replacement, and sight restoration.

[Translation]

Mr. Chair, in order for Canada to be even better tomorrow, the national fiscal balance must be re-established, starting today. To do this, we must provide the provinces and territories with the funds they need.

[English]

The needs include such matters as an unprecedented and long-term investment in public infrastructure; better health care; better-equipped universities; cleaner oceans, rivers, lakes, and air; training to help Canadians get the skills they need.

Mr. Chairman, restoring fiscal balance is very much about building a stronger, safer, and better country.

I would also like to mention that the harmonized sales tax provinces—Nova Scotia, New Brunswick, and Newfoundland and Labrador—have each announced their intention to participate in the foreign convention and tour incentive program proposed in Budget 2007. Accordingly, I am pleased to announce that the Government of Canada plans to propose motions to amend Bill C-52 to extend the application of the new program to the 8% provincial component of HST, effective April 1, 2007.

Given that such amendments have the effect of increasing the amount of the rebates to be paid under Bill C-52 it is the government's intent to seek a royal recommendation and to propose the motions at report stage.

In Bill C-52, Canada's new government is taking action by proposing a new formula that improves and enriches equalization, and a territorial formula of financing. It also puts major transfers, such as the Canada social transfer and Canada health transfer, on a more solid footing and makes treatment of provinces fairer for those transfers.

In fact, under Bill C-52 we are proposing to deliver more than \$39 billion in additional funding to the provinces and territories. This is funding that will restore fiscal balance in Canada.

Mr. Chairman, that is what Bill C-52 is all about. I look forward to answering questions from the committee.

I should mention that officials from the Department of Finance are here with me to provide any further clarification the honourable members may wish to have on any of the measures in the bill.

[*Translation*]

Thank you.

[*English*]

The Vice-Chair (Mr. Massimo Pacetti): Thank you, Mr. Flaherty, for your presentation.

Welcome to your finance department officials; I didn't have the chance to say it before. Many of them have appeared, some just as recently as yesterday, so they're no strangers to this committee.

Let us get started right away. We have a six-minute round. First of all we'll go to Mr. Turner, and then to Mr. Crête.

Mr. Turner, you have six minutes.

Hon. Garth Turner (Halton, Lib.): Thank you, Mr. Chairman, and welcome, Mr. Flaherty and officials.

Mr. Flaherty, I have a couple questions about the tax fairness plan. First, Bill C-52 and certainly the speeches and pronouncements you have made repeatedly have mentioned pensioners and seniors as benefiting from this, and you have used that same language again this afternoon.

Is that not, however, a little bit misleading, certainly in terms of the pension-splitting provisions? I understand that one has to have income that qualifies for a pension tax credit before one can split income. In other words, if you are a 70-year-old working at Wal-Mart and don't have registered pension income, you can't split your income.

How does this benefit seniors?

• (1550)

Hon. Jim Flaherty: I'll refer the technical part of it to one of the officials here, but I want to thank the member for supporting the pension-splitting for seniors and pensioners in Canada when he was a Conservative.

I refer to the officials on the—

Hon. Garth Turner: Actually, just for the record, the minister opposed me when I proposed income-splitting when I was with the Conservatives. It was only after I left the Conservative Party that the government adopted this. But thank you, Minister, for trying to clarify.

Could we please have your statement about...? I am concerned that we have been misleading seniors. Many seniors believe that simply because they are over the age of 65, they can income-split. That's incorrect.

Hon. Jim Flaherty: No, of course not, and no one ever said that. It's pension income; you know that. It's not salaried income; it's pension income.

Hon. Garth Turner: No, I'd like you to clarify—

Hon. Jim Flaherty: I just did.

Hon. Garth Turner: —that a senior who has earned income—

Hon. Jim Flaherty: This is pension income, not employment income. You know that.

Hon. Garth Turner: I just want to make sure, because a lot of people, Minister, do not know that, and they get misled when you use the word "seniors" repeatedly.

I have a second question, and that is regarding single seniors who do not have the ability to split pension income. Actually, single seniors will be paying—or are paying—more tax than they were under the previous government regime, certainly in basic tax.

I have the 2005 tax return here, which shows the 15% income tax rate on \$35,595. In 2006 that goes to 15.25%, and in subsequent years it's going to 15.5%. So we have an incremental increase in the basic income tax rate.

How is that fair to single seniors who can't income-split?

Hon. Jim Flaherty: As I mentioned a few minutes ago, the single exemption is being dealt with as part of the marriage penalty issue. As you know, we've increased the credits in the tax fairness plan that was announced last October.

Hon. Garth Turner: All right. But the basic rate has gone up for single seniors. Is that correct?

Hon. Jim Flaherty: No. If you're talking about one of the three budgets your current party introduced, there were certain measures announced, and so on, that did not become law.

Hon. Garth Turner: All right. But your first budget raised the basic rate from 15% to 15.5%.

Hon. Jim Flaherty: I can't raise something that did not become law.

Hon. Garth Turner: But it was in effect the rate that the taxpayers were paying. Is that correct?

Hon. Jim Flaherty: I can't change a figure that is not the law of the country. It's different when a bill passes, as our two budget bills did, from budget 2006.

Hon. Garth Turner: Right. But I have in my hand the Canada Revenue Agency tax form that taxpayers would have had to fill out, which shows 15%. I now have a 2006 form in my hand, which shows 15.25%. It is an increase. How is that fair to single seniors?

Hon. Jim Flaherty: If you want to get into parliamentary procedure, as you know, there's a ways and means motion.

Hon. Garth Turner: It's not actually parliamentary, Minister. It's the actual CRA tax form.

Hon. Jim Flaherty: Do you want me to answer or not?

Hon. Garth Turner: Yes.

Hon. Jim Flaherty: All right. When a ways and means motion passes with tax measures in it, as you know, the CRA will begin to administer it. The 15.5% you're referring to did not in fact pass through a budget bill in the House of Commons and receive royal assent. It never became law.

By the way, the reduction in the GST by one percentage point is a huge tax change in Canada. As you know, it benefits everybody in Canada, whether they pay taxes or not, including seniors, of course.

Hon. Garth Turner: All right. But the fact remains that the basic tax rate went up. If I have it wrong, maybe one of your officials can correct me. But Canadians were paying 15%. It was then raised to 15.25% in the next taxation year.

If I'm wrong, correct me. If I'm not, stay silent.

Hon. Jim Flaherty: You're wrong.

Hon. Garth Turner: Am I wrong?

Hon. Jim Flaherty: You're wrong. It never became law.

Do you want to go through it again?

Hon. Garth Turner: There is the form that taxpayers had to fill out for the 2005 taxation year.

Hon. Jim Flaherty: All right. I'll say it one more time.

When a ways and means motion passes in the House of Commons, as you know, it is not a bill that becomes law. The CRA will begin administering a tax change in a ways and means motion as soon as the ways and means motion is passed. But the bill has to ultimately pass for the change to become law. It did not happen in the matter to which you refer.

• (1555)

Hon. Garth Turner: I understand that, Minister. But it's a moot point when you're already paying one tax rate and you then have to

start paying another tax rate. Whether we erudite individuals have passed it or not, it is still the law of the land.

I'd now like to move on to income trusts for a moment, please.

We obviously have concerns and many seniors who are income trust investors have concerns about the credibility of the government, because of the promise that was made during the election campaign and the one that was then changed.

I guess many of my constituents have asked me this question, and I'd like to ask you this.

The Vice-Chair (Mr. Massimo Pacetti): Mr. Turner, thank you. Your time is up. I have to keep the rounds to six minutes.

But perhaps the minister hasn't seen the forms. If you can table them with the clerk, we can send them over.

Hon. Garth Turner: Hasn't he seen the tax forms?

The Vice-Chair (Mr. Massimo Pacetti): I have no idea.

Mr. Crête, for six minutes, and then Ms. Wasylycia-Leis.

[*Translation*]

Mr. Paul Crête (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, BQ): Thank you, Mr. Chair.

Thanks to the support for the budget provided by Bloc Québécois members of Parliament, we are here today to discuss Bill C-52. This budget allowed a significant part of the fiscal imbalance to be corrected.

Three or four years ago, only Bloc Québécois members were talking about this matter in Parliament. Today, at least one financial aspect is resolved, but the true problem of fiscal imbalance, which is real and which requires the transfer of tax points, or some other kind of permanent transfer, still exists. If we keep this model, we will be depending on the government's financial health for years to come.

Bill C-52 is not perfect, but it will allow a budget to go into effect that provides more money to Quebec. This is what the Bloc Québécois members wanted.

Are you prepared to keep working so that the fiscal imbalance is really corrected, or will things just be as you mentioned in your introductory notes?

Hon. Jim Flaherty: I thank the member for his question.

[*English*]

On the subject of fiscal imbalance, it is our view that we've worked pretty hard at this over the course of many months.

We had the benefit of the report by Mr. O'Brien and his committee and other reports. Mr. O'Brien was the former deputy treasurer of the Province of Alberta who was appointed by the previous Liberal government here in Ottawa. We took the advice of the expert panel, and we consulted broadly.

I must say the result has been widely accepted in Quebec, I believe, as being a principle-based way of assessing appropriate payments for equalization and transfer payments to the other governments in Canada as we go forward. This is a big change because the provinces and territories will know from year to year, through a principled-based formula, what they're entitled to receive, rather than the kinds of changes and ad hoc situations that had developed in previous years.

I know, Mr. Crête, the argument that is advanced with respect to the transfer of tax points and tax room. I understand the argument. Obviously, it is not a path we chose to follow.

[Translation]

Mr. Paul Crête: In fact, in Conservative party advertising, the message was that if the Liberals were elected, they could do an about-face on this matter. Is this not in itself an admission by the Conservative party that the measures in the budget have no permanent effect and that a permanent solution will have to be found, whether it is a transfer of tax points or some other way of transferring federal revenue to the provinces? Should we not be making a real change rather than just paying out money? Should we not be changing our way of doing business?

[English]

Hon. Jim Flaherty: I think if you want to change the way of doing equalization in Canada, other than in bills like Bill C-52, other than by laws passed by Parliament, then you're into a constitutional amendment. As you know, equalization is constitutionally mandated in Canada, and we're not engaging in a constitutional debate here. We're engaging in making sure that there's a principle-based way of transferring important amounts of money for health, education, and social services to the provinces, and also, as you know, under equalization, making sure that there are reasonably comparable fiscal capacities to provide those types of services throughout the country.

[Translation]

Mr. Paul Crête: I recall that tax points were already transferred in Canada, for example, when Mr. Lesage was Premier of Quebec in the 1960s. Could this kind of change not be made quite easily, if there was a real political will to do it?

At the moment, it seems that the Prime Minister wants to respect the commitment he made to put money on the table, but not completely. We are fortunate in that Canada's financial situation is strong, and that it allows this kind of transfer. Conversely, if the financial situation had been more difficult, you would not have been able to do what you are doing at the moment. But the needs in the provinces still exist.

• (1600)

[English]

Hon. Jim Flaherty: I respectfully disagree.

The whole purpose of the exercise was to arrive at a formula that would be fixed, and we have arrived at that. The provinces could not

agree among themselves, so it was necessary for the federal government to follow on the recommendations of Mr. O'Brien and modify that modestly. For example, there's no cap on the Atlantic accord, which Mr. O'Brien's committee had recommended. This is not something that changes from year to year. The formula stays the same. The numbers will change, because fiscal capacities will change in the provinces and territories in Canada, but this is a formula that is fixed, and it will continue that way.

Yes, tax points were transferred some years ago. I know about that. But again, that was done by government and is not constitutionally enshrined, so the next government could change it, of course. It's the power of Parliament.

[Translation]

Mr. Paul Crête: So are you saying that you are shutting the door on the transfer of tax points or the GST? Are you shutting it completely?

Hon. Jim Flaherty: [Inaudible]

Mr. Paul Crête: So you are not going to keep to the commitment you made to the people of Quebec during the last election campaign. The Prime Minister committed to correcting the fiscal imbalance, and not simply to hand over money.

[English]

Hon. Jim Flaherty: We may have a debate about how one fixes the fiscal imbalance and—

The Vice-Chair (Mr. Massimo Pacetti): His time is up, so I'll have to cut you off and pass the time over to Judy.

I'd like to stick to the time. I know your time is limited, so I'd like to get as many members in as I can.

We'll go to Ms. Wasylycia-Leis and then to Mr. Dykstra.

Ms. Judy Wasylycia-Leis (Winnipeg North, NDP): Thank you, Mr. Chairperson.

Thank you, Minister, and the finance officials. I'm glad you're here.

Minister, I want to raise with you the pattern that I see emerging that is rather disturbing, and that is your tendency to flip-flop on key issues on which you've made promises to Canadians and to Parliament.

When we raised the ATM issue and the fact that Canadians are paying so much money to access their own money, you said it was a serious issue and that you would stand up to the banks and do something about it. Then you said later, in your budget address... Although we had serious problems with your budget overall, we were encouraged by the fact that you said you would deal with the fact that taxpayers are subsidizing companies to expand foreign plants, and even more, move Canadian jobs overseas.

From what I can tell, on ATMs, you seem to have accepted what the banks have said. You got a few little, tiny steps from them and then gave up. On interest deductibility, it seems to me that you've done a complete cave-in.

I'd like to know from you how Bay Street got to you. Are there any issues you think you could work with us on in Parliament? Is there any common ground between where you're coming from and New Democrats? I know we're miles apart on most issues, but I'm hoping that when it comes to the prosperity gap and trying to redress some of the most egregious things done by Liberals, we could find some common ground. I'm beginning to be a bit doubtful and skeptical about that.

Hon. Jim Flaherty: I think we have lots of common ground. Your party and you support the workers income tax benefit that was recommended to the previous government, but as usual they did nothing. I'm sure you support the registered disabilities savings plan that was introduced in budget 2007. These are matters with respect to which we agree. I think we also agreed—

Ms. Judy Wasylycia-Leis: Small steps, we agree. What about the interest deductibility? Why the flip-flop?

Hon. Jim Flaherty: I think we also agreed that the banks ought to do something in terms of consumers with respect to ATMs. You would have them go much further than they did. I'm comfortable with the fact that they were responsive with respect to seniors, students, and persons with disabilities, which were the specific issues that I raised with the banks.

On the issue of tax havens, the party that's defending tax havens in the House of Commons is the one to your right, the far right, the Liberal Party. As you know, they were doing that in the House of Commons this week. Their position is to defend tax avoidance loopholes by the use of low-tax foreign jurisdictions. Our position is that everybody should pay their fair share in Canada, so that we can reduce taxes overall.

Now, I know that you would go further than we did. But we are taking the step of eliminating double deductions in Canada, which is a major step with respect to tax havens. As you saw, the response to that has been vociferous in certain corporate quarters in Canada, but we're going ahead with it.

•(1605)

Ms. Judy Wasylycia-Leis: I appreciate that apparently you're at least dealing with the double-dipping portion of interest deductibility. However, your plan doesn't come into effect for five years, and you're going to study the rest of it. So I fail to see how that's a guarantee to Canadians that you're really closing this corporate loophole.

Furthermore, with respect to the big issue that we've been dealing with now for ten years, the Barbados tax haven, you talked a good line in opposition. The Barbados tax haven is still wide open. I can understand why the Liberals, in terms of the Canada Steamship Lines issue, kept it open, but I don't understand why you've kept it open. Will it ever be closed under your leadership?

Hon. Jim Flaherty: We're going to deal with the double-dipping issue, which we made clear, because it's not fair to other Canadian taxpayers, not only with respect to tax havens, but also with respect to the so-called tower structure that is used as another way of

effectively making one investment and deducting it twice for tax purposes, which is not fair.

Ms. Judy Wasylycia-Leis: But why can't you close the Barbados tax haven, like other tax havens have been closed over the years?

Hon. Jim Flaherty: What I also announced in my statement on Monday is that we will have a committee of experts look at this report on an interim basis, with respect to all kinds of tax avoidance loopholes and international business tax, before the next budget, and then before budget 2009 on a final report basis. So there's more to be done.

I assure you that the double interest deduction legislation will be introduced in the fall. It will be part of the fall budget bill. Yes, it will take effect some years out, five years out, but we've had this deduction in Canada for more than 20 years. For 13 years, the previous government did nothing about it.

Ms. Judy Wasylycia-Leis: I'm not quite sure why it couldn't be done a little sooner than five years.

The Liberals make a spurious connection between the question of interest deductibility and the sell-off of our Canadian companies. I don't believe there's a connection between those two. I think we have a very serious issue around the loss of our own Canadian companies to multinationals. We're losing some of the jewels in our industrial manufacturing sector.

I want to know specifically if you have a plan to actually deal with this loss of Canadian companies, and if it's more than simply the study you announced on Monday.

Hon. Jim Flaherty: We announced in the budget that there would be a panel appointed and reporting to the Minister of Industry on competitiveness. That was what was referred to the other day in the House.

The minister intends to go ahead and do that quite soon. Of course this will also include, as part of the competitiveness issue, the issue of so-called hollowing out, with respect to which there are many differing opinions and many different statistics. The evidence looks like Canadians are actually acquiring more abroad than is being acquired within Canada.

The Vice-Chair (Mr. Massimo Pacetti): Thank you, Minister.

Thank you, Ms. Wasylycia-Leis.

Mr. Dykstra, you have another six minutes, and then we're going to start another round with Monsieur Thibault.

Mr. Rick Dykstra (St. Catharines, CPC): Thank you, Mr. Chair.

I want to let you know that the lunch was excellent today with the delegation from Pakistan. You pushed hard to have a lot of us there; it's unfortunate that you couldn't make it.

Minister, thank you for coming to see us here at committee.

I'm anxiously awaiting your comments, and obviously the implementation of Bill C-52. While you may be a little closer to this age than I am, I certainly wanted to inquire, get your thoughts, and give you the opportunity to speak to the increase in the RSP age limit from 69 to 71, if you wouldn't mind commenting on that.

Hon. Jim Flaherty: In our current tax system, which will be changed by Bill C-52, taxpayers are generally required to convert their RRSPs to RRIFs, registered retirement income funds, and to stop contributing to their RRSPs by the end of the year in which they turn 69. Similarly, registered pension plan payments must generally begin by the end of the year in which the pension plan member turns 69.

As we know, many older Canadians are well and in good health and want to continue working and saving. Under the proposed changes we are increasing the age limit for maturing registered pension plans and RRSPs to 71 from 69. This will increase work and savings incentives for older Canadians, and this will be achieved by permitting additional RRSP contributions and accrual of pension benefits and not requiring any drawdown of tax-deferred savings at ages 70 and 71.

• (1610)

Mr. Rick Dykstra: Thank you.

As you know, there's certainly a lot of talk about huge issues and the implications of broader tax base relief across the country, but I think what a lot of Canadians would like to know is what is the direct impact the budget is going to have on them specifically. There are a lot of small-business men and women who are in the trucking industry from one side of this country to the other, and I know one of the benefits in this budget is the meal expense relief for truck drivers. I thought certainly we can talk about the big issues, but those that hit the wall directly are the ones that have a strong impact on small-business folks in this country.

Could you comment on that?

Hon. Jim Flaherty: As the member for St. Catharines knows, this is an issue with respect to meal expense deductions that truckers across Canada had raised, and I sure heard about it from lots of members of our Conservative caucus here. There was a pretty strong feeling among truckers that they were not getting the same tax break as other people do sometimes in their meal expense deductions. So we addressed that. It should help also with the shortage of truck drivers. There is quite a significant shortage of truck drivers in Canada, and that has an economic consequence for our economy, since so many of the goods that are moved across the country move with our truckers, including our trade with the United States to the south.

According to a study conducted by the Canadian Trucking Human Resources Council, the trucking industry currently needs some 38,000 new drivers annually. So this tax measure to increase to 80% from 50% the share of meal expenses that long-haul truck drivers can deduct for tax purposes should help make that job more lucrative and more attractive to more people. We need more people getting into the trucking business. It applies to both truck drivers who are employees and long-haul truck drivers who are self-employed.

Mr. Rick Dykstra: Thank you.

One of the other areas of investment that is in this budget is with respect to the Canadian Coast Guard. It has been a lot of years since investments have been made in our coast guard, at least from a security perspective, around the country and in our Great Lakes and obviously in our oceans. We're investing \$324 million to build six new ships over the next number of years. I wondered if either you or your officials could comment on the need, the necessity, of making that investment.

Hon. Jim Flaherty: Certainly one of the major considerations is the commitment that our government has and our Prime Minister has to preserving and protecting our sovereignty in the Arctic. We need to be able to be a presence in the Arctic and we need to have the ships that can operate in that part of Canada, with the extreme conditions that are often found there.

So this is all part of our rebuilding of the Canadian security network and being in a position to actually do something to have a Canadian presence that respects the sovereignty of Canada in the Arctic.

Mr. Rick Dykstra: I guess the other benefit too is having those ships built here in Canada and making sure that also assists in the investment in our economy. So I greatly appreciate it.

Hon. Jim Flaherty: I know the member for St. Catharines has a strong interest in shipbuilding.

Mr. Rick Dykstra: For very good reasons, sir, as you know.

The other extension that's in this budget is the whole aspect of the gas fund transfer and the need and the request that municipalities across this country have made for their ability to reach out and see further investment dollars, see further dollars to ensure that they can supply the needs within their municipalities. Extending the transfer from 2013 to 2014 is significant. Perhaps you could just comment on that quickly.

Hon. Jim Flaherty: We extended the transfer of the tax—

The Vice-Chair (Mr. Massimo Pacetti): In ten seconds, Mr. Flaherty, please.

Hon. Jim Flaherty: Done?

The Vice-Chair (Mr. Massimo Pacetti): Now we're done. Thank you.

Monsieur Thibault.

Hon. Robert Thibault (West Nova, Lib.): Thank you, Minister, for appearing.

I don't think you could have a budget that spends as much money as you have here and not get a few things right. So I will point out that there are some things that are right.

I did like the capital gains exemption in the fisheries. It met the commitment that we had made in our electoral platform. Congratulations for doing it. But I have to tell you, our fisheries minister went one up on you, in that he made a licensing announcement a couple of weeks ago that has completely eliminated the capital gains itself, bringing the licence value down about \$300,000 each. I agree with what he's trying to do. Everybody agrees with that. But making the announcement without having it fleshed out creates some anxiety in the industry and has forced down prices.

That's what I think your party did with income trust, where you made a commitment, you made a promise during the election, and then you broke that promise. You end up in a situation where people lose a lot of money on capital value and you have a loss of Canadian assets. We had the governor of the bank tell us that it was an ideal vehicle for certain sectors, that there were problems within the sector. I think everybody agrees with that.

It's the same thing on interest deductibility. Everybody agrees that where there is abuse of foreign low-tax jurisdiction, that has to be cleaned up. But you made the announcement initially on all the interest for investments in foreign markets for our Canadian corporations, which was disadvantaging them. A big fear was put into corporate Canada, into confidence, internationally and in our country, without having it fleshed out.

Since then, you flip-flopped on that issue. You brought it back to a minute point of interest deductibility on the question of double-dipping. You're talking now about towering, and I look forward to seeing how that plays out and how that works out, to make sure that we don't throw out the baby with the bathwater, that we do stop the abuses that are there. But you said you would have that in place by 2012, and you further said that the savings to the Canadian treasury would go to lower corporate tax rates.

Your expert, your Mr. Ernewein, testified that the analysis hasn't been done. There's no evidence that it will bring any increase in revenue to the treasury, and some tax experts suggest that it might reduce the revenue. So I would have to surmise that you're going to increase their corporate taxes, in that case, to balance it out.

But I want to bring you to the point that's the most egregious to me, and that's the Atlantic accord. You weren't in the House at the time, but your colleagues supported the Atlantic accord in the House, supported it to the point that they asked for the budget bill to be split so that they could vote against the budget but support the accord. The accord went through. It's a very good tool for Nova Scotia and Newfoundland, a very good tool. What the accord says is that the revenue from gases, from these non-renewable resources, would be above and beyond any other program of government, not instead of. You have turned it into an "instead of", where the Province of Nova Scotia, my province, although you've extended it for one year, has to decide if they're going to keep operating under the Atlantic accord, the Canada-Nova Scotia accord, or whether they're going to accept the ready money under the new equalization formula, which, by the way, the Atlantic provinces all agree has a cap.

In your ongoing negotiations with the province, will you withdraw your position? Will you honour the Government of Canada's commitment to the Province of Nova Scotia and respect the full intent of the accord?

•(1615)

Hon. Jim Flaherty: You raised a number of issues. Let me respond to the last one right away.

We are keeping our commitment to honour the Atlantic accords. That is clear. The Province of Nova Scotia and the Province of Newfoundland and Labrador can have the same accord today as they had six months ago, as they had two years ago. That's the accord. They can have it for the entire term of the accord.

Hon. Robert Thibault: They have to choose it over the new equalization formula.

Hon. Jim Flaherty: The option is there to continue with the Atlantic accord. So to say that the Atlantic accord is not available is simply not accurate.

On the other issues that you asked me—

Hon. Robert Thibault: The intent of the accord was not an "instead of". It was not the Atlantic accord or the new equalization. It was above and beyond any other program of the federal government. It was meant to help Nova Scotia and Newfoundland reduce their debt, use the money from their non-renewable resources to invest in their province. The Province of Nova Scotia, with their first cheque of \$850 million, paid down their debt. They're able to invest \$50 million a year now in services for Nova Scotia: education, highways, health, and so on. That was the intent of the accord.

Now if they want to have the same advantages other provinces are having for new funding under the equalization, they have to abandon their accord. They have to tear it up. And that's not right. That's not what your members, across the way from ours, and the Atlantic members in the Liberal Party were fighting for when we got the accord.

[Translation]

The Vice-Chair (Mr. Massimo Pacetti): Thank you, Mr. Thibault.

Mr. St-Cyr.

Mr. Thierry St-Cyr (Jeanne-Le Ber, BQ): Thank you, Mr. Chair.

I would like to follow up on the fiscal imbalance, because this is a battle that the Bloc Québécois has been fighting for a long time. In fact, for years, we were the only ones talking about it in the House. Now we are the only ones fighting on so that the fiscal imbalance can really be resolved. In the last election campaign, the Conservatives started to talk about it, but they seemed not to grasp the concept completely. The tax aspect of the fiscal imbalance has been completely neglected.

The Séguin Commission, with which all Quebeckers agree and which in a way forms the foundation of this struggle to correct the fiscal imbalance, identified the concept of “fiscal imbalance” and coined the phrase. This was not just picking two random words out of a hat. The words were chosen because we were talking about an imbalance that was indeed fiscal in nature.

There is only one solution to this imbalance, and it too must be fiscal in nature. How can you claim that the fiscal imbalance is corrected, when your own officials who came before this committee admitted that there was no fiscal transfer in your last budget?

● (1620)

[English]

Hon. Jim Flaherty: I'm quite familiar with the issue you've raised, of course, having been a provincial finance minister in Ontario. I've been to the meetings where we would have these discussions about how one creates fiscal balance. Does one better create it by the transfer of tax points, which has been done in past, or is it done better through the transfer payments mechanism and a principle-based formula?

But we have chosen a certain path. We have chosen a principle-based formula that is founded on the expert report by O'Brien, with some modifications, and that's a choice that was made by the government of the day. That is not to say that a different choice could have been made about transferring tax points and so on, but it isn't the choice that was made.

At least we and the Prime Minister certainly have it right about acknowledging that there's a fiscal imbalance between governments in Canada and are proceeding to fix it on a principled basis. As you know, the Liberal Party and its leader, Mr. Dion, does not even believe that there's a fiscal imbalance between governments in Canada.

[Translation]

Mr. Thierry St-Cyr: Quebeckers are demanding that there be a fiscal transfer, such as tax points, for example, or from an area of taxation like the GST, in order for a permanent solution to be reached. I think that everyone was a little shocked to hear you and to hear the Conservatives say that a definitive solution had been found.

So whatever your party's statements, or whatever the advertisements that it pays for on television say, we know that any government, a future Liberal government or a majority Conservative government, could take all these budget transfers back with no difficulty at all, whatever the reaction of Quebeckers and their National Assembly. Nothing is preventing this government from doing it.

How can you say that the problem is fixed once and for all given that any future government, as early as the next budget, could put everything back to zero, and force us back to square one?

[English]

Hon. Jim Flaherty: I say to you respectfully that there's nothing to stop any government, even if they transfer tax points by then increasing the federal income tax rate and in effect taking the points back again. There's nothing to stop Parliament from doing that, short of a constitutional amendment.

But we have a principle-based formula now. There is an academic basis for this, through the expert report and the rationales and the clear reasoning that one can find in the O'Brien report. So there's a foundation for what we've done here, an intellectual foundation, based on principles, and I think this will serve us well as we go forward.

[Translation]

Mr. Thierry St-Cyr: Mr. Minister, you are aware that Quebeckers heard your promise during the election campaign, and were talking about the fiscal imbalance as defined by the Séguin Commission with which everyone in Quebec agrees. We were not talking about the O'Brien Report, which had not even been published at the time. You made a promise and told Quebeckers that the problem would be corrected. We expect it to be corrected as the people want and anticipate. Was it at the very instant you made the promise that you were...

[English]

The Vice-Chair (Mr. Massimo Pacetti): Merci, Monsieur St-Cyr.

Mr. Cannan, five minutes.

● (1625)

Mr. Ron Cannan (Kelowna—Lake Country, CPC): Thank you, Mr. Chair.

Thanks, Mr. Flaherty and your staff, for being here this afternoon.

Coming from the interior of British Columbia, from the riding of Kelowna—Lake Country, we have a good balance of young entrepreneurs. There's a cross-section of progressive seniors who are moving to the interior for the weather, and those in their retirement years who appreciate the pension-splitting.

We have different areas working within our community. Obviously we have the wine industry, we have a forest sector, and post-secondary. A big area is tourism, the hospitality industry. I had Minister Ritz out to the riding last month. We had a good meeting with some of the folks, a cross-section from the chamber and the tourism community. We talked about the visitor rebate program that had been eliminated.

Maybe you could expand on how the new foreign convention and tour incentive program will help British Columbian and Canadian businesses welcome tourists from around the world to Canada.

Hon. Jim Flaherty: Thank you for the question.

As you well know, this is an important area of the Canadian economy in the west, in the interior of British Columbia, and elsewhere in the country. We certainly have had a lot of input from tour operators and others in the tourism business in Canada.

The old rebate program was ineffective. It did not represent good value for money. It had a very low take-up rate but was costly to administer.

We recognize the contribution that tourist dollars make to the Canadian economy and the importance of promoting Canada as a destination of choice around the world in this tourism industry that is growing. We think the new program will be more effective than the old program at promoting tourism and will be a better use of taxpayer dollars. It will provide tax relief for foreign conventions, which are very important, and non-resident tour packages focusing on segments of the tourism market that are traditionally more competitive and price-sensitive. It will also provide a new accountability framework, which was lacking in the old program, to ensure that the government can better evaluate the effectiveness of the new program going forward.

Mr. Ron Cannan: Thank you.

In another area, I spent nine years in local government. I know that our municipalities, and FCM, working with the provinces, appreciate the certainty and stability from the provincial and the local levels for funding, working in partnership with our local business community to provide that tax fairness and reduction of business taxes.

We also have to balance the environment, to have environment sustainability. One initiative that really caught my eye was the funding for the Nature Conservancy of Canada. Maybe you could explain why the proposed \$225 million is included in Bill C-52 for the year 2006-07.

Hon. Jim Flaherty: That's an important initiative. It's brand new. It's a way of preserving some of the most environmentally sensitive areas in Canada.

Through a partnership with the Government of Canada and the Nature Conservancy, this will be a great step forward. I think it will be well remembered over many years as Canadians see the benefit of preserving these properties, these environmentally sensitive areas, in cooperation with the Nature Conservancy, which has a very good reputation of doing this kind of work and accomplishing these goals in Canada.

Mr. Ron Cannan: Excellent.

The registered disability savings plan is one of those real golden nuggets in the budget that hasn't really received a lot of attention. In my riding specifically, there are some people who are very appreciative and who have been working on it. Maybe you could expand on that. Will that be coming out in the fall bill?

Hon. Jim Flaherty: Yes, the registered disability savings plan will be in the fall budget bill. We're working now in cooperation with informed people on this issue, disability groups and so on, to get it right in the drafting. We're also working with the provinces to make sure they don't claw back. It's the same issue we have with the workers income tax benefit. Most of the provinces, I can tell you, have the right attitude on this issue.

I had the honour today of speaking at lunch to an international group that deals with disability issues. They were here meeting in Ottawa, 300 people from around the world. I'll tell you, this initiative is a global leading initiative. This has not been done elsewhere, so it's a good example of Canada being able to lead in many areas, including in this area.

It addresses the worry that many parents have with severely disabled children—that is, what will happen to their children in terms of financial security when the parents are gone and the children remain alive. This will help alleviate the sincere worry that people have. I'm sure members of Parliament have heard this in their constituency offices over many years.

•(1630)

The Vice-Chair (Mr. Massimo Pacetti): Thank you, Mr. Cannan.

We'll try to go to a final round with Mr. McKay and then Mr. Wallace.

Hon. John McKay (Scarborough—Guildwood, Lib.): Minister, you went from the universe of interest deductibility in a very broad budget statement down to a microdot of double deductibility on this concept of towering. You did it through a whole series of stages of clarifications after clarifications after clarifications. You went from two years to ten years, back to five years, and then you made your latest announcement last Monday.

Last Monday those who read your material and listened to your announcement said afterwards, and here I'm quoting from the Ernst & Young team: (a) "The Government has ignored the adverse macroeconomic impact of the proposals"; (b) "Minister Flaherty's revised proposal broadly strikes at tax planning arrangements that reduce foreign taxes—not Canadian taxes"; and (c) "The minister's anti-tax haven initiative is not restricted to arrangements involving tax havens".

So I'd like your comments on those three criticisms by the Ernst & Young team.

I'd like to know, as well, why you didn't deal with the obvious one of debt dumping. This is a concept where a foreign company lends money to a Canadian affiliate. The Canadian affiliate then lends the money, in turn, to a third country affiliate, meanwhile ratcheting up its debt, the consequence of which is that it reduces its income tax, the consequence of which is that there is less revenue for the Canadian treasury and no discernible economic activity in this country.

Why in heaven's name would you pick this one, as opposed to one that's a bit more obvious? Wouldn't it have been better to have actually engaged the panel of experts first and then have decided from the panoply of choices that one might have available to choose what is most advantageous to the Canadian treasury and to Canadian companies and the least advantageous to foreign treasuries?

The second question has to do with the income trust rate. You've whacked them for 31.5%. You've said that you would share the revenues with the provinces. It's perfectly obvious that at the end of the four-year period the pension funds will unload them and that non-residents will not hold trusts. Therefore, the revenues will be reduced; and because the revenues are reduced, the provinces will have nothing to share in. If there's nothing to share, there are no tax revenues. You've snookered the provinces on this heavy-handed, dishonest proposal, which you put forward on Halloween.

I'd like your comments on both of those. I'd appreciate it if you'd minimize the rhetoric and stay with the specific questions.

Hon. Jim Flaherty: I just love this. This is proof positive that the Liberals deserve to be in opposition for a very long time, because when they were in government for 13 years they did absolutely nothing—

Hon. John McKay: Well, let's answer this question. Get to the answer—

Hon. Jim Flaherty: No, Mr. McKay, you had a long question—

Hon. John McKay: Get to the answer. I'm not interested in your rhetoric. Get to the answer.

Hon. Jim Flaherty: Your question was about three minutes long. You did nothing on income trust—

Hon. John McKay: I asked a specific question. Answer the specific question—

Hon. Jim Flaherty: You did absolutely nothing. You looked at the issue, you screwed up the market, and you botched the file.

Hon. John McKay: Answer the Ernst & Young question—

Hon. Jim Flaherty: Now you're complaining about a government that actually does something about it—

Hon. John McKay: Just try to answer the question—

Hon. Jim Flaherty: Then on double-dipping, you had the report from the Auditor General in 1992.

Hon. John McKay: Answer their questions, not the Auditor General, not the Liberal Party's—

Hon. Jim Flaherty: You asked for the basis. I'm telling you the basis—

Hon. John McKay: Answer the question.

Hon. Jim Flaherty: Do you want me to answer the question?

Hon. John McKay: I would like you to answer the questions. Just skip the rhetoric. Go to the question—

Hon. Jim Flaherty: You have to stop talking so I can answer.

Hon. John McKay: Go to the question—

Hon. Jim Flaherty: I can't answer when you're talking.

Hon. John McKay: Well, give me an answer. You don't answer—

Hon. Jim Flaherty: Let me know when you're ready.

The Vice-Chair (Mr. Massimo Pacetti): Order, order.

Hon. Jim Flaherty: Is anybody going to be quiet for a little time now?

Hon. John McKay: Are you going to give me an answer or are you going to chat around with rhetoric?

The Vice-Chair (Mr. Massimo Pacetti): Order, Mr. McKay.

Mr. Flaherty, I show a lot of leniency to the members. It's their time, so they can ask questions, or whatever. There's about a minute left.

Hon. Jim Flaherty: Can I answer?

The Vice-Chair (Mr. Massimo Pacetti): Mr. Flaherty, you have about a minute left to answer the question, if you can.

Hon. Jim Flaherty: That's six minutes allowed, and he gets to use five minutes and I get one minute.

The Vice-Chair (Mr. Massimo Pacetti): No, they were five-minute rounds. He used three minutes to ask the question, one minute for you guys to fight, and now you can use the one minute to answer the question, please. Mr. Flaherty.

Hon. Jim Flaherty: There were at least four studies that recommended that the government of the day should do something about double-dipping because it rips off other Canadian taxpayers. Your party was the government. As usual, you did nothing—just like you did nothing on income trust. If it were easy, you would have done it. It's not easy. It's challenging and it's difficult.

Is it the right thing to do—both of those moves on income trusts and on double deduction by corporations? It's absolutely the right thing to do to promote tax fairness in Canada. I know you want to defend the corporations that take advantage of tax loopholes through the use of tax havens. I know you want to do that, but we don't want to do that. You've defended it in the House—your party has. We're not going to do that.

The debt-dumping example you gave, by the way, is covered by the proposal that we will be bringing forward in the fall.

• (1635)

Hon. John McKay: No, it's not.

The Vice-Chair (Mr. Massimo Pacetti): Thank you, Mr. McKay.

I have one more person if you can stay for four minutes, Mr. Flaherty. Is that okay? Mr. Wallace has a few questions for you.

Hon. Jim Flaherty: Mr. Wallace.... I don't know. No, I have to go.

The Vice-Chair (Mr. Massimo Pacetti): They may be tough.

Mr. Wallace.

Mr. Mike Wallace (Burlington, CPC): Thank you, Mr. Chairman.

I'm going to ask one question and then split my time with Mrs. Yelich so she can ask one question.

Just from a process point of view, so I understand what we're doing, we have a ways and means motion that has passed the budget in principle in the House. Then it gets split in being put into place. Can you explain why that is?

Hon. Jim Flaherty: It's because there's a lot in both budgets, and especially in this budget. Budget officials tell me this is the biggest budget in Canadian history. We've covered a lot of ground here.

There are also some challenging drafting issues. When you do something like the RDSP, the double-interest deduction, and the use of tax havens, sophisticated analysis and drafting are required. It doesn't mean we don't do it; it means we work hard and it takes longer to get it done. The department officials work very hard at this and accomplish the drafting objectives. The ones that were ready are in budget Bill C-52, and the others will be ready for the fall.

I'm very happy that both budget bills from the last budget became law, so the provisions of budget 2006 through those two bills have become law.

Mr. Mike Wallace: Thank you.

Mrs. Yelich.

Mrs. Lynne Yelich (Blackstrap, CPC): In defence of the finance ministers, our former finance minister of Saskatchewan was an NDP. She more or less asked the Government of Saskatchewan to change its focus. She said the cap was not only necessary but also common sense, because it protected the principle that provinces paying money into equalization should not be worse off than the provinces getting the money. She said the debate should go on; it should be about focus and perception.

It is important, especially for our province, which is into science, technology, and research. They thank you a lot. I wish our premier would talk to you more about that. If he hasn't, you could perhaps make a statement about our premier and where his focus should be.

Before you answer that, I would like to quickly ask about the income tax forms, since Mr. Turner raised the issue. I can remember those two forms, and wasn't it at a time when the finance department had to all of a sudden pull back? They had all their printing done for that year at income tax time, then they had to pull the forms back and have them reprinted. Didn't it cost us some money and some time?

A voice: It cost a million dollars.

Mrs. Lynne Yelich: This was going back to the former finance minister. When we had those two forms, weren't there some issues about printing them within about...? I am curious, because that might explain why there are two forms but no laws in place to support them. I'd be interested in knowing about that.

Hon. Jim Flaherty: Do you want to go ahead, Brian? I wasn't here then.

Mrs. Lynne Yelich: Did it cost us a lot of money, plus a delay in getting the income tax forms out?

Mr. Brian Ernewein (General Director, Tax Legislation Division, Tax Policy Branch, Department of Finance): I can't speak to the cost. It would have been a matter for the Canada Revenue Agency—additional costs.

As the minister has said, when a ways and means motion is tabled the Canada Revenue Agency will generally administer the law on the basis of that motion, which would have led to changes in the forms. If they came late in the year there certainly would have been costs if any reprinting of forms, etc., was required.

When the law was passed, the forms for that year or for the following year would have to be adjusted accordingly.

• (1640)

The Vice-Chair (Mr. Massimo Pacetti): Thank you, Mrs. Yelich.

Hon. Garth Turner: I'm wondering if I could have this delivered to the minister so he will know for sure that Canadians—

The Vice-Chair (Mr. Massimo Pacetti): I was just getting to that.

Mr. Turner, I prefer that you submit it to the clerk. She'll make sure the minister's office and all members get copies. I think the clerk has a copy.

Hon. Garth Turner: I'd like to deliver it to the minister before he leaves.

Mr. Massimo Pacetti: You can perhaps hand-deliver it to him after we—

Hon. Jim Flaherty: He can send it if he wants. I'm familiar with the form.

The Vice-Chair (Mr. Massimo Pacetti): Okay. We weren't sure.

We'll recess for a few minutes and change witnesses.

Mr. Flaherty, thank you for coming.

Hon. Jim Flaherty: Thank you.

The Vice-Chair (Mr. Massimo Pacetti): The meeting is suspended.

• (1640)

_____ (Pause) _____

• (1645)

The Vice-Chair (Mr. Massimo Pacetti): If we could start up...

Point of order?

Mr. Rick Dykstra: No. I would like to move, based on the fact that we had the minister here this afternoon and we've been dealing with Bill C-52, that we move directly to Bill C-52 for Thursday's meeting and that we dedicate an hour and a half to witnesses on Bill C-52 and then in the second half we move directly to clause-by-clause on the bill. So we spend the second hour and a half reviewing clause-by-clause.

The Vice-Chair (Mr. Massimo Pacetti): That's not a point of order, that's a notice of motion. If you could put your notice of motion formally, as we do all other motions, then the chairman could handle it appropriately. At this point I'm not willing to make a decision on that.

Mr. Rick Dykstra: I would challenge the chair on that, and ask if we could have a vote to move my motion immediately, today.

Hon. John McKay: It's a procedure we've agreed to.

Mr. Mike Wallace: Your own Liberals challenged the chair at the other committee on exactly the same....

Hon. John McKay: No, not on the exactly the same point. We weren't moving a motion.

Mr. Mike Wallace: Yes, they did—ethics. They did the same thing, and you overruled the Liberal chair.

The Vice-Chair (Mr. Massimo Pacetti): I ruled. This is a matter of procedure. I'm not the regular chairman and I'm not sure what the chairman had organized for tomorrow. I believe the Auditor General is already confirmed for tomorrow for an hour and a half.

This is a large bill. I'm not sure.... I wasn't notified when the list of witnesses have to be in by, but I would assume they'd be in by Friday. I have to give a bit of time for witnesses to appear, so I don't see how we can go to clause-by-clause tomorrow.

[Translation]

Mr. Paul Crête: I would like a point of clarification. Since the debate is on this bill, I do not believe that we need 48 hours' notice to make a motion. I just want to be sure of that.

The Vice-Chair (Mr. Massimo Pacetti): Your comment is not a point of order.

I was the one who decided that if you want to make a motion, you should do it according to the rules of the committee, that is by giving 48 hours' notice. That is my opinion.

Even if my decision were challenged, the fact remains that, given the way this committee usually operates, a request for a witness takes at least 24 hours. Tomorrow is Thursday, and I think committee members should be given until Friday to submit lists of witnesses. When we reconvene—and this is the understanding that we came to when we met to discuss our program until the end of the session—bills will have priority over other committee projects.

[English]

This is not a debate. We only have 45 minutes with the department officials. If we don't finish, we're going to have them come back tomorrow—if that's what you want me to do.

Mr. Rick Dykstra: The point of clarification is simply this. When a decision is rendered or made by the chair, and the option or your ruling is upheld—and I respect the fact that you have the right to make that ruling—do I not have the right to challenge that ruling?

The Vice-Chair (Mr. Massimo Pacetti): It's not a ruling, it's a point of order.

It's not a point of order; it's a matter of procedure. What are we challenging here?

Mr. Mike Wallace: Are you taking advice from the clerk, or are you just talking?

The Vice-Chair (Mr. Massimo Pacetti): It's not the first time I've done this. I can ask that the decision of the chair be sustained, but we're not going to be able to follow up with the second part. So the decision of the chair being sustained is not going to be relevant.

Those who are in accordance with the decision of the chair, raise your hands.

Those opposed to the chair.

So we have.... What's the other option?

Mr. Rick Dykstra: All I'm asking is to waive the 48-hour notice so I can have my motion on the floor. The chair made a decision, and the chair lost the challenge. He now—

The Vice-Chair (Mr. Massimo Pacetti): My challenge was whether we can go tomorrow to clause-by-clause. You need unanimous consent for what, to challenge the fact that we can't go to clause-by-clause tomorrow?

The regulations of the committee still require 48-hour notice. You need unanimous consent.

• (1650)

Mr. Rick Dykstra: No, all I need is a majority. I don't need unanimous consent. You want unanimous consent; you don't need unanimous consent. You know the rules of procedure.

The Vice-Chair (Mr. Massimo Pacetti): My suggestion is that we move to the witnesses, or you put forward a motion. It's up to you, Mr. Dykstra. Right now, you don't have a point of order.

Mr. Rick Dykstra: I just moved the motion. I challenged the chair.

The chair's decision was rendered. Certainly it wasn't supported by—

The Vice-Chair (Mr. Massimo Pacetti): So now you want to put in—

Mr. Rick Dykstra: Now I've asked to waive the 48-hour notice, and I would like to move the motion that I've already read into the record.

The Vice-Chair (Mr. Massimo Pacetti): But I need unanimous consent.

Mr. Rick Dykstra: You don't need unanimous consent to do that.

The Vice-Chair (Mr. Massimo Pacetti): Yes, I do.

Mr. Rick Dykstra: No, you don't. Procedurally you need a majority of the committee to agree to waive the rules.

The Vice-Chair (Mr. Massimo Pacetti): I need unanimous consent for a motion to be adopted, and even if we have a motion, there is no way as chairman that I can ask for witnesses not to appear before a bill like Bill C-52.

Let's be reasonable here.

Mr. Rick Dykstra: I'm not saying that. I'm saying that we're dedicating an hour and half to witnesses, so I'm certainly not suggesting—

Mr. Massimo Pacetti: When are members supposed to submit their list of witnesses? By what time?

Mr. Rick Dykstra: As soon as possible.

Mr. Massimo Pacetti: As chair, I have a responsibility to the committee to act in proper course.

Mr. Rick Dykstra: We won't be putting any witnesses forward.
[*Translation*]

The Vice-Chair (Mr. Massimo Pacetti): Mr. Crête, you have our attention.

Mr. Paul Crête: I am told that a list of witnesses had been provided, and that they were ready to come tomorrow. A number of people...

Hon. Robert Thibault: Who gave you that list?

Mr. Paul Crête: The Liberals.

The Vice-Chair (Mr. Massimo Pacetti): No, I have not sent the list of witnesses yet.

Mr. Paul Crête: I think that a list has been sent to the clerk. Whatever the case, I think that witnesses who are ready...

The Vice-Chair (Mr. Massimo Pacetti): I am part of this committee and I have had no information that says that the list of witnesses was supposed to be sent today or tomorrow.

Mr. Paul Crête: If we decide that it is tomorrow, witnesses will be interested and will be ready to provide evidence on the important questions that have been raised.

We could work like this: we could set aside half an hour to listen to the submissions, and one member from each party could get together to try and come to an understanding.

I feel that the witnesses who want to be heard would prefer to do it tomorrow rather than not at all.

The Vice-Chair (Mr. Massimo Pacetti): Agreed. This is not a point of order. I cannot accept this motion because it is not in accordance with the procedure. First, we need unanimous consent. Then there are witnesses here, and I prefer to hear them. If we do not intend to hear them, we are going to let them leave. But we cannot debate it.

Mr. Paul Crête: Can we ask the clerk if the 48 hours' notice is in fact necessary? This motion deals with the subject that we are discussing.

[*English*]

The Vice-Chair (Mr. Massimo Pacetti): Mr. McKay.

Hon. John McKay: Chair, you ruled. You are overruled by the committee.

The motion requires 48 hours notice, unless it's waived by unanimous consent by the committee. The committee did not give unanimous consent. Therefore, we are in a position where we should be proceeding with the witnesses.

It's perfectly obvious that the Conservative Party wishes to ram this bill through. They do not want to hear from Canadians about the income trust, the interest deductibility, and the provincial transfers issues. There are so many things that they do not want.

I would make the point, Mr. Chair, that this bill has been in limbo since March 19. It's been a very long period of time between March 19 and now, before it came before the committee.

The Vice-Chair (Mr. Massimo Pacetti): Thank you, Mr. McKay.

Mr. Wallace.

Mr. Mike Wallace: Yes, just so I understand the rules, Mr. Chair, you're saying—which is not my experience in another committee—that because it's been decided at the beginning of this committee what the procedure was on 48 hours, the committee cannot control its own destiny on what they want to deal with when.

Based on your discussion with the clerk, my question is, where is it written that it has to be unanimous consent?

The Vice-Chair (Mr. Massimo Pacetti): I'll get out the reference.

Let me hear from Mr. Cannan.

Mr. Ron Cannan: Thank you, Mr. Chair.

I was going to ask the same question. I'm on the international trade committee, and if I ask through the chair for the clerk to speak, the clerk clarifies. She can speak into the microphone.

The Vice-Chair (Mr. Massimo Pacetti): I'm acting chair. I'm not comfortable with a decision about what's going to go on here, so the meeting is adjourned.

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