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OFFICIAL REPORT
(HANSARD)

Tuesday, May 16, 1995

Speaker: The Honourable Gilbert Parent

HOUSE OF COMMONS

Tuesday, May 16, 1995

The House met at 10 a.m.

Prayers

ROUTINE PROCEEDINGS

[*Translation*]

CANADA POST CORPORATION ACT

Mr. Paul Crête (Kamouraska—Rivière–du–Loup, BQ) moved for leave to introduce Bill C–326, an act to amend the Canada Post Corporation Act (membership of board of management).

He said: Mr. Speaker, the purpose of this bill is simply to ensure that, in the future, Canada Post Corporation will consider regional development in fulfilling its mandate. We realized that this corporation was very focused on production and did not necessarily take into account the development of each part of the country.

Changing the membership of the board of management would ensure representation from every province and territory in Canada. This would also prevent the concentration that may occur when the people sitting on Canada Post's board of management look after their own interests instead of those of people from the various provinces. That is the purpose of this bill.

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

* * *

[*English*]

COMMITTEES OF THE HOUSE

INDUSTRY

Mr. Werner Schmidt (Okanagan Centre, Ref.): Mr. Speaker, I move that the second report of the Standing Committee on Industry presented to the House on Tuesday, October 18, 1994 be concurred in.

It is with considerable pleasure that I rise to debate this motion. The committee had a very successful time in debating various parts of the access to capital for small business. Many of the things we talked about had to do with the lending institutions, in particular the chartered banks, trust companies, credit unions and groups of that sort.

The committee came up with 22 distinct recommendations. This is what we are talking about. The recommendations that the committee came forth with are the ones that ought to be concurred in. It is a pleasure for me to say that the banks have already moved in some of those directions.

(1010)

Take for example recommendation No. 3. The committee recommends that the joint Industry Canada committee in consultation with the Canadian Bankers Association draft a code of conduct. It would explain to customers in plain language the information a loan applicant must disclose. There would be a clear explanation of reasons for refusing a loan, a commitment to guide customers to alternative sources of financing, and a commitment to provide an internal complaints handling mechanism.

The Canadian Bankers Association met with the committee in the earlier part of this year. It indicated clearly to us that it had established that kind of code of conduct. At first the association said it would be very difficult if not impossible to bring about some kind of standard of behaviour as far as treating the customers and the banks were concerned.

A lot of information is available now. It has been exchanged among the various branches of the banks. In addition to that, what is called an ADR which is a dispute resolution mechanism has been brought into being. It is an alternate dispute resolution mechanism that has been brought into being.

The committee also suggested that perhaps this was not good enough. It thought that probably there ought to be an independent ombudsman established. Recommendation No. 5 reads as follows:

> The committee recommends that the government establish an independent office of the bank ombudsman to investigate complaints of breach of duty or maladministration by the banks. As in the United Kingdom, the ombudsman should have the power to require banks to pay compensation to complainants for financial loss, inconvenience and stress.

The experience of the banks in Britain where this independent ombudsman has been operating for a number of years has been very salutary. It has helped small business people. It has helped various other people in the business world to deal with their

banks more successfully. It has also made the banks a little more humane in the way they deal with their customers.

When we brought this to the attention of the Canadian Bankers Association, it thought that perhaps there should not be an independent ombudsman who is outside the banking community but rather it should appoint its own ombudsman.

The Toronto–Dominion Bank has one of those people who was the leader in the Canadian chartered banking industry to do just that. It is apparently working very well.

It is interesting to note that the Canadian Imperial Bank of Commerce now has this kind of person on a full salary at the senior vice–president level. This person deals with complaints that various business people have with regard to their loans or other operations with regard to the bank.

There are other recommendations from the committee as well. We need to recognize that the committee proposes to continue monitoring small business access to capital by calling one or more banks as witnesses every quarter to review their performance in lending to small businesses. That process has begun.

The banks have indicated that indeed their performance with regard to lending money to small businesses has improved. At least they are prepared to tell the committee what exactly their operation is with regard to these activities.

We go beyond that. We have asked the superintendent of financial institutions together with Statistics Canada and the Bank of Canada to develop a new format for the collection, compilation and publication of statistics on bank lending to small business. These statistics should be based not only on the size and type of loan but also on the nature of the borrower, including gender, employment, sales, major sector of operations and municipality. These statistics should be reported quarterly.

It was very interesting to watch the reaction of the banks to this recommendation. They first said: ''That is impossible. We cannot give you those kinds of numbers. We do not have those kinds of numbers. It would be a horrendous expenditure in order to give you these kinds of numbers. It cannot be done''.

(1015)

It is a great pleasure for me to report that in the quarterly review at the end of April the banks not only said they have the information, they are prepared to give it to the office of the superintendent of financial institutions and to the committee. That is a great move forward. It shows the kind of concurrence that we see in the industry which the committee had in mind in the first place.

It is not so much what the government does, it is what industry does which makes business run better. In the final analysis business makes this country run. Government provides the opportunity, the environment and the parameters within which business can operate more easily, more fluidly, more efficiently, more effectively and more successfully.

We need to recognize it is not government that creates employment, it is not government that makes the economy grow, it is business that makes the economy grow. In particular, it is small business that makes the economy grow. In the last five years 85 per cent of new jobs created in Canada were created by small business. Let us recognize the significance that small business has in the Canadian economy.

The committee goes on to suggest leasing should be encouraged. It urges the government to ensure that tax measures and other programs do not discriminate against this method of financing. There are situations in which the government through its income tax policy has discouraged this form of financing small business.

Often small businesses do not have the capital resources to expend huge amounts of money for the financing of capital expenditures. Very often, if they can lease the equipment, it is far more salutary and allows them to get on with their business. The money would be available for the operation, rather than having it tied up in capital expenditures or equity.

The committee goes on to recommend that the federal government establish a limited working capital guarantee for small and medium sized business exporters. Such a program should be self–financing and priced in a manner that is commensurate with the risk. Too often it seems to have been the philosophy or the modus operandi of governments that in order to help business they should give them something.

The committee does not agree that is what should happen. The government should create the environment which we talked about a moment ago and allow them to finance their businesses. If businesses need seed capital, that should be returned at a rate of interest which is commensurate with the risk involved in that particular situation.

We also need to recognize that the reference is to exporters, particularly small business exporters. Today most exports are by a very small number of businesses. I believe that approximately 100 businesses control 85 per cent of the export market. In other words, small business has not had as large a portion of the export market as it should have. If it did it would help the Canadian economy to grow. It would increase the global participation and competition of Canadian business in the world marketplace.

The report goes on to suggest that the government review the Small Businesses Loans Act. To the credit of the government, that is exactly what it has done. It ought to be commended for that. It has begun to concur with the recommendations of the report. If I remember correctly, the Small Businesses Loans Act ceiling was moved from $3 billion to $12 billion. The only difficulty is that in the past the government has had to write off about $100 million in bad loans. Does that mean that with a ceiling of $12 billion the bad loans will increase to four times that amount?

(1020)

There have been, from the small business associations and also from the bankers, some concern that some of the provisions of the new small loans act amendments create an additional charge which may discourage some of the small businesses from taking advantage of the provisions of the small loans act as it has been amended.

Therefore we need to be very careful that when one moves to concur in these kinds of recommendations that one not move in such a way that the operation of implementing that recommendation mitigates against the purpose, intent and spirit of that recommendation.

The committee recommends further that the mandate of the Federal Business Development Bank be confirmed and refocused as a complementary lender to small and medium sized businesses and that it be authorized to use new financial instruments to fulfil its mandate.

I am sure members of the House noticed that yesterday the Minister of Industry introduced Bill C–91. The effect of that bill is to do precisely what this recommendation suggests be done. That makes a committee feel its work is very significant and has not been ignored. The government has recognized the hard work of the committee.

We need to recognize in detail exactly how the business development bank, under the new name of the business development bank of Canada, will operate. Will the operations of that bank become an extension of the Canadian federal treasury or, as the minister implied yesterday, will the capital used for loans come from private sources of one kind or another.

The new sources of capital that the Business Development Bank of Canada needs to look at is that money that exists in the private sector today and money that can be patient, particularly for new, innovative ventures. It should also include the high tech areas where the science and technology involved in those businesses is very far reaching, very expensive and does not create an immediate return. It requires a lot of seed capital for the intellectual background, the experimentation, the building of prototypes and things of that sort before it actually goes into active and profitable production.

The Federal Business Development Bank, or under the new name of the business development bank of Canada, could form and fill a particular niche in our economy.

The difficulty we need to guard against is it not becoming another crown corporation that is a drain on the taxpayer. It should be a self–sufficient, self–financing organization. To date, the operation of the Federal Business Development Bank has been a profitable venture and that needs to be continued in the future. I hope that the kinds of things that Bill C–91 envisages will indeed take place in that regard.

However, we are not done yet. This committee did a lot of very hard work. It dealt not only with the chartered banks which it said are doing a reasonably good job. It could do a lot better in some places but is that not true of all of us? We can all improve. We would like to get the banks to take their responsibilities and carry out their mandates a little bit better.

I now want to move outside the banks and into the trust and loan companies. The committee recommends that the trust and loan companies act be amended to remove the arbitrary capital requirements for the establishment of a trust company and the acquisition of full commercial lending powers. The superintendent of financial institutions should instead establish guidelines setting out conditions for the establishment of new federally chartered trust companies and for the acquisition of full commercial lending powers. Institutions meeting these guidelines would be able to operate in Canada and make commercial loans using the prudent portfolio approach.

(1025)

It is precisely on the last phrase ''using the prudent portfolio approach'' that I wish to spend a few moments. In the last number of years we have seen the collapse of some very major financial institutions, one of which was Confederation Life, that probably everyone in the House remembers only too well.

I remember the appearance before the committee of the superintendent of financial institutions and the questions the committee members asked this individual. How was it possible that a major financial institution like this could collapse in Canada? It is very serious when such an institution collapses.

The superintendent of financial institutions has come under the scrutiny of the auditor general. On Friday of this week he was reported as saying in the *Financial Post*: ''The auditor general and Ottawa's financial institutions watchdog are at odds''. We have the auditor general on the one hand and the superintendent of financial institutions on the other at odds over when federal regulators should intervene to deal with troubled Canadian trust and insurance companies.

The superintendent of financial institutions has been given the responsibility by Parliament on behalf of the people of

Canada to assure the financial soundness of banking institutions, insurance companies, credit unions and various other financial institutions.

The auditor general has been given the responsibility to investigate how successfully the office of the superintendent is doing its job. The superintendent specifically says: ''I and the auditor general do not agree what my job is''. Who is going to do the job, the auditor general or the superintendent of financial institutions?

The article goes on to explain what some of the issues might be. For example, the auditor general portrayed OSFI as sometimes being too slow to intervene with financial companies in trouble. The superintendent of financial institutions, John Palmer, who assumed the post last September, disputed the regulatory approach and said: ''Your officials appear to favour a more mechanical system in which specific regulatory intervention would be required when specific numerical thresholds are violated. In our view it is essential to preserve the role of judgment in determining how and when to intervene''.

If the Superintendent of Financial Institutions is to exercise judgment without looking at the numbers, there is no question that can put us into a lot of potential difficulty. This is a good example of where an individual needs a very hard head to understand the numbers and to make sure that the balance statements, the equity position and the financial situation of financial institutions are sound.

However, he needs to show a compassion that recognizes when situations have developed, when conditions have changed. He needs to be somewhat kind and give them some time to balance the sheet again if there is an indication a change can take place and the institution can become financially solvent if he had a little patience. It should never be done without a very hard headed look at the dollars and cents and to make sure the institution is sound and that management is capable of turning the institution around.

In the last little while we have seen financial institutions which were on the brink of bankruptcy long before anything was done to call them to account.

(1030)

It is to the credit of some of the other people who are coming back now and saying that the confederation life policy holders are to get back 70 cents on the dollar and that perhaps in some cases they will get back substantially more. It is absolutely tremendous that this can happen in Canada. The critical situation is that this should never have been be allowed to happen in the first place. That is why we need to concur in the recommendations this committee has brought forward.

Mr. Randy White (Fraser Valley West, Ref.): Mr. Speaker, I would like to ask my colleague for a point of clarification regarding his reference to FBDB.

Many times in the House we hear discussions with regard to regional development grants from the Atlantic Canada Opportunities Agency, FORD–Quebec, and western economic diversification. What is his feeling about the role of these regional economic development agencies and that of FBDB? Could they be rolled into one or is there a role for each in this country?

Mr. Schmidt: The whole concept behind regional development has evolved to some degree. We need to recognize that the implementation of the regional economic development agencies has subsidized businesses that could not make it on their own. It has created artificial competition between businesses that were in existence and new ones created across the street so that neither of them could succeed profitably. It has given industries an artificial cushion, because it has not required that the money that was given to them be paid back.

If we are to have regional development it should be done in a fair and open marketplace with competition. It ought to be done in manner such that all businesses know what is going on and they are all on a level playing field and competing fairly with one another and whatever money is given ought to be paid back with a reasonable rate of return.

These are precisely the kinds of things the Federal Business Development Bank was supposed to be doing in the past when it was the lender of last resort. If that kind of thing continues, if regional development agencies develop a flat playing field, create competition, and require the money to be paid back, then there is no reason they could not be rolled into one. The bankers' criteria of lending money could be applied and the whole business would run a lot better than it does at the present time. I suppose the end result of that statement is they could be rolled into one, but under certain conditions.

Mr. Elwin Hermanson (Kindersley—Lloydminster, Ref.): Mr. Speaker, I thank the member for Okanagan Centre for his concern about small business and for bringing this to the attention of the House, despite the fact that we thought the government would be bringing forward debate on Bill C–88, a bill that would deal with internal trade barriers and hopefully remove some of those.

I wonder if the member would expound on whether the report deals with the harm caused to small business because of the trade barriers we have in Canada between provinces. It has been

determined that these trade barriers cost our country $6 billion to $8 billion every year, and I suspect the brunt of that cost is borne by small business.

I would like the hon. member to relate to the House what the harm of these trade barriers is to small business and whether the report does make any recommendations, and also whether Bill C–88 does go far enough in bringing an end to these trade barriers, which are so harmful to Canadians.

(1035)

Mr. Schmidt: Mr. Speaker, the hon. member certainly knows how to ask complicated questions, but they are very significant questions.

The important thing is that one of the greatest hindrances to small businesses developing is the existence of trade barriers across Canada. They are a multitude in number. I believe at the last count there were somewhere between 500 and 750 of these trade barriers.

Estimates vary as to how much they actually cost. In some cases people argue that it is about $5 billion a year to the Canadian economy, in other cases they will say that it is $7 billion, depending on which set of figures is used. That means the average family in Canada spends $1,000 or $3,500 per year more than it would pay for the same goods and services if the trade barriers did not exist.

One of the embarrassing things for us as Canadians and parliamentarians is that it is often easier to trade with other countries, in particular our neighbour to the south, than it is to trade across Canada. How do we bring these kinds of things together? It seems so stupid to tell someone it is easier to trade, for example, between Vancouver and Spokane. It is wide open. There is an organization called Cascadia, which promotes this kind of economic development. It is so easy to do, because the trade barriers between Canada and the United States have virtually been eliminated. And now with NAFTA that goes all over the place.

There was a principle announced in the red book that states that Canada should be unified. By not dealing with the internal trade barriers we are in fact disunifying Canada and creating a situation where trade is now north and south but not east and west.

That is one of the great barriers for small business. We would like to be strong at home first before we go abroad, but that is not an opportunity today. We have to become strong internationally and then we can perhaps afford to go over these trade barriers within Canada. It is a reverse, backwards kind of thing. It hurts our feelings of patriotism. It frustrates our feelings of economic unity as well as political unity. It is those kinds of things that we have to tear down so that we can help each other and feel important as Canadians—as important in Nova Scotia as we are in British Columbia, as we are in Ontario, as we are in Quebec, as we are in Manitoba, Saskatchewan, Alberta, and so on across Canada.

The hon. member asked a very good question with regard to those things. Does the federal trade agreement that is now before the House and is supposed to be implemented through Bill C–88 do that? It does not.

We will hear from various members on this side of the House who will say clearly where this trade agreement falls short. It does not deal with the very basic issues.

The idea is a very good one. Let us recognize this right off the top. Recognizing that internal trade barriers in Canada are a significant problem is very important. All our premiers have now recognized that is a problem. The issue, however, is that although they have recognized there is a problem they have not solved the problem. When we get to the dispute resolution mechanism, what do we get? We get the opportunity that if they cannot resolve the conflict then they can retaliate. That is exactly where we are today. What have we achieved?

The agreement has to have some teeth in it. I submit that it does not have those teeth.

In answer to my hon. colleague's question of whether the trade agreement does those things, it moves in the right direction but it does not go anywhere near far enough. Does it help build the unity of Canada? No, it does not. Does it hurt small business? Yes, it does. It is an embarrassment to many of us because we can trade more easily north and south than we can east and west.

[*Translation*]

Mr. Peter Milliken (Parliamentary Secretary to Leader of the Government in the House of Commons, Lib.): Mr. Speaker, I am very sorry that the Reform Party has decided to waste the time of this House with a debate on a motion for concurrence in a committee report.

It is a real waste of time, since a bill to continue the Federal Business Development Bank under the name of Business Development Bank of Canada is already listed in the *Order Paper*. We may pass this bill this afternoon without wasting the time of the House, as was the case this morning.

(1040)

[*English*]

I am sorry the Reform Party feels it has to take up time debating a report that was tabled in this House last October when there are bills waiting to be passed that could deal with the issue.

To avoid any further waste of the House's time and cost to the Canadian taxpayers, I move:

That the House do now proceed to Orders of the Day.

The Acting Speaker (Mr. Kilger): Is it the pleasure of the House to adopt the motion?

Some hon. members: Agreed.

Some hon. members: No.

The Acting Speaker (Mr. Kilger): All those in favour of the motion will please say yea.

Some hon. members: Yea.

The Acting Speaker (Mr. Kilger): All those opposed will please say nay.

Some hon. members: Nay.

The Acting Speaker (Mr. Kilger): In my opinion the yeas have it.

Call in the members.

(The House divided on the motion, which was agreed to on the following division:)

(*Division No. 222*)

YEAS

Members

Adams
Anderson
Assad
Asselin
Axworthy (Winnipeg South Centre)
Bakopanos
Bellehumeur
Bergeron
Bethel
Bodnar
Brown (Oakville—Milton)
Bryden
Bélanger
Caccia
Campbell
Caron
Chamberlain
Chrétien (Frontenac)
Cohen
Collins
Crawford
Culbert
Deshaies
Dingwall
Dromisky
Duhamel
Dupuy
Eggleton
Fillion
Finlay
Fontana
Gagnon (Bonaventure—Îles–de–la–Madeleine)
Gauthier (Roberval)
Godfrey
Gray (Windsor West)
Guarnieri
Guimond
Harvard
Hopkins
Ianno
Irwin
Jordan
Kirkby
Kraft Sloan
Landry
Laurin
Lebel
Lee
Leroux (Richmond—Wolfe)
Loney
MacLaren
Maloney
Marchand
Marleau
Massé
McKinnon
McTeague
Mercier
Mitchell
Ménard
O'Reilly
Pagtakhan
Patry
Peric
Phinney
Pickard (Essex—Kent)
Plamondon
Reed
Richardson
Ringuette–Maltais
Robillard
Scott (Fredericton—York—Sunbury)
Shepherd
Skoke
Stewart (Northumberland)
Telegdi
Thalheimer
Torsney
Ur
Vanclief
Verran
Wood
Zed—165

Anawak
Arseneault
Assadourian
Augustine
Bachand
Beaumier
Bellemare
Bernier (Mégantic—Compton—Stanstead)
Bevilacqua
Boudria
Brushett
Bélair
Bélisle
Calder
Canuel
Catterall
Chan
Chrétien (Saint–Maurice)
Collenette
Cowling
Crête
Debien
DeVillers
Discepola
Duceppe
Dumas
Easter
English
Finestone
Flis
Gagliano
Gagnon (Québec)
Gerrard
Goodale
Grose
Guay
Harb
Hickey
Hubbard
Iftody
Jackson
Keyes
Knutson
Lalonde
Lastewka
Lavigne (Verdun—Saint–Paul)
Leblanc (Longueuil)
Lefebvre
Lincoln
MacAulay
Malhi
Manley
Marchi
Martin (LaSalle—Émard)
McCormick
McLellan (Edmonton Northwest)
McWhinney
Milliken
Murray
Nault
Ouellet
Paradis
Payne
Peters
Picard (Drummond)
Pillitteri
Proud
Regan
Rideout
Robichaud
Rompkey
Serré
Sheridan
Speller
Szabo
Terrana
Tobin
Tremblay (Rimouski—Témiscouata)
Valeri
Venne
Whelan
Young

NAYS

Members

Abbott
Althouse
Breitkreuz (Yorkton—Melville)
Cummins
Epp
Frazer
Hanrahan
Hayes
Hill (Macleod)
Hoeppner
Johnston
McClelland (Edmonton Southwest)
Morrison
Ringma
Silye
Solomon
Strahl
Williams—35

Ablonczy
Benoit
Bridgman
de Jong
Forseth
Gilmour
Harper (Simcoe Centre)
Hermanson
Hill (Prince George—Peace River)
Jennings
Mayfield
Meredith
Riis
Schmidt
Solberg
Stinson
White (Fraser Valley West)

PAIRED MEMBERS

Alcock
Bertrand
Bonin
Copps
Daviault
Jacob
Mifflin
Nunez
Pomerleau
St–Laurent
Volpe

Bernier (Gaspé)
Blondin–Andrew
Cauchon
Dalphond–Guiral
Gaffney
Lavigne (Beauharnois—Salaberry)
Murphy
Paré
Rocheleau
Tremblay (Rosemont)
Wells

(1120)

[*Translation*]

The Acting Speaker (Mr. Kilger): I declare the motion carried.

(Motion agreed to.)

[*English*]

Mr. Comuzzi: Mr. Speaker, on a point of order, I apologize to the Chair for being late but had I been here I would have voted with the government.

GOVERNMENT ORDERS

[*English*]

CHEMICAL WEAPONS CONVENTION IMPLEMENTATION ACT

Hon. Fernand Robichaud (for Minister of Foreign Affairs), Lib.) moved that Bill C–87, an act to implement the convention on the prohibition of the development, production, stockpiling and use of chemical weapons and on their destruction, be read the second time and referred to a committee.

Mr. Jesse Flis (Parliamentary Secretary to Minister of Foreign Affairs, Lib.): Mr. Speaker, on behalf of the Minister of Foreign Affairs I am pleased to initiate the debate on Bill C–87, an act to implement the convention on the prohibition of the development, production, stockpiling and use of chemical weapons and on their destruction.

This draft legislation represents the achievement of what has been for successive Canadian governments one of our most important priorities in the arms control and disarmament field, a multilateral agreement on a global and comprehensive ban on chemical weapons.

Such an agreement is of special importance for Canadians. It was almost 80 years ago that Canadian soldiers were among the victims of the first gas attack in Ypres Salient in April 1915. There are still alive today Canadians who remember with horror the effect of such weapons on their friends and comrades, their husbands, brothers and fathers.

Having let this horrendous genie out of the bottle, the international community has ever since sought ways to control and suppress it. The Geneva protocol of 1925 was the first such attempt but its scope was effectively limited to a ban on the first use of chemical weapons and many states, Canada included, felt obliged to develop and stockpile such weapons against the possibility that they might be necessary to retaliate against future attacks with chemical weapons.

(1125)

The hon. member for Hamilton—Wentworth, who will be speaking after me, has done a lot of research in that area. Hon. members may wish to consult with him for more information.

While our troops in subsequent wars were spared the horrors of further chemical attacks, neither the Geneva protocol nor mounting international condemnation of these weapons prevented other states from using them in other wars, most recently in the Iran–Iraq war. Even more monstrous, some have gone so far as to use chemical weapons against defenceless civilians. Who can ever forget the shocking pictures of the Iranian and Kurdish victims of Iraqi chemical weapons or the terror inflicted on Israeli citizens by Saddam Hussein's threats during the gulf war to rain chemical weapons down on Israel.

Spurred on by such barbarities, negotiators at the conference on disarmament in Geneva redoubled their efforts to conclude a multilateral agreement on chemical weapons which would forever remove this scourge. Canada is proud to have made a major contribution to these efforts, from the days in 1983 when a Canadian, Ambassador Donald McPhail, chaired the committee that developed the first outline of such a treaty to the successful conclusion of negotiations in 1992 when Canada was in the first rank of those pressing most strongly for a truly effective ban.

The chemical weapons convention resulting from these negotiations which opened for signature in January 1993 represents a major multilateral success. For the first time a whole category of what are known as weapons of mass destruction is to be eliminated. All stock piles of chemical weapons are to be destroyed under international supervision, along with the facilities which produced them. A verification regime which is global, comprehensive and effective is to be set up to ensure such weapons will never be developed again.

The convention is unique in a number of respects. Not only does it oblige states parties to destroy all existing stocks of chemical weapons and the facilities which produced them within a set time frame and under close international supervision, it also establishes a system of verification and inspection which is by far the most rigorous ever developed in a multilateral agreement.

Moreover, it does not just ban any future development of chemical weapons but seeks to safeguard against clandestine chemical weapon production through international monitoring and inspection of all facilities which might be used for such activity. Again uniquely, it extends this regime into the global civilian chemical industry. The basis of this verification regime of civilian industry is set out in three schedules or lists of toxic chemicals which either have been used as chemical weapons or are chemical weapon precursors.

Facilities working with such chemicals will annually report on their activities to their governments and through them to the international monitoring and inspection organization being set up in The Hague, the organization for the prohibition of chemical weapons, or OPCW. If their activities exceed certain thresholds they will be liable to inspection by international inspectors.

The convention's overview of industry extends even further because certain facilities which produce what are called unscheduled discrete organic chemicals, particularly those which contain phosphorus, sulphur or fluorine, can be adapted to produce chemical weapons.

The convention also requires these facilities to report on their production activities and provides for the future development of a system of random inspections of such facilities. Thus the scope of the convention extends beyond chemical and pharmaceutical industries and covers facilities producing pesticides, fertilizers, paints and coatings, textiles and lubricants.

Given the confidential nature of some of the information being reported by industry, the convention has its own provisions for protecting such information and requires states parties to abide by those provisions. The convention also requires states parties to institute restrictions on the export and import of schedule chemicals with states not party to the convention.

(1130)

Perhaps the most novel element of the convention is the provision allowing for states parties to have the right to demand short notice or no right of refusal inspections called challenge inspections of any place, whether government or civilian, where they believe activities are being carried out incompatible with the obligations and goals of the convention.

In another departure from general practice the convention obligates states parties to pass penal legislation that not only encompasses activities on their own territory but also prohibits their citizens from undertaking forbidden activities outside their territory.

The convention has its own sanctions regime, although it also recognizes the pre–eminent authority of the United Nations security council regarding mandatory sanctions in the case of serious violations of the convention.

In view of the breadth and complexity of the convention, the Canadian government, like many other signatories, has given very close consideration to how its obligations shall be implemented in Canada.

Fortunately whereas the convention is 160–odd pages long, the draft legislation resulting from that consideration now before us is barely more than one–tenth that length and yet encompasses all the obligations that arise out of the convention relevant for Canada.

As Canada does not possess chemical weapons or chemical weapon production facilities, the related provisions of the convention do not pertain to Canada. Instead, the main impact on Canada arises from those provisions concerned with industry activities. The act's central provision is to ban completely anyone's activity relating to anything with chemical weapons in exactly the same terms as are used in the convention.

Also, as provided in the convention, these provisions ban the use of riot control agents as a method of warfare. Operationally speaking, as required by the convention, the draft legislation authorizes the Minister of Foreign Affairs to designate officials to act as Canada's national authority which will serve as the national focal point for liaison with the organization for the prohibition of chemical weapons, OPCW, and other states parties, collect the required information for the affected industries and transmit it to the OPCW and facilitate international inspections of Canadian facilities.

The draft legislation then spells out clearly the conditions under which the required information will be obtained; the right of the international inspection teams to conduct inspections in Canada in accordance with the provisions of the convention, and the roles and responsibilities of the national authority in facilitating such inspections. Because of the need to protect confidential information, it contains appropriate provisions to do so. It extends existing controls on chemicals by specifying all the chemicals on the convention's three schedules will be subject to the authority of the Export and Import Permits Act.

It institutes penal provisions and applies those to both activities on Canadian territory and activities by Canadian citizens outside of Canada. It further makes clear the enforcement of the proposed act will be conducted under the Criminal Code.

It provides for appropriate regulations to be prepared concerning inter alia the collection of the required data and the procedures under which the national authority will carry out its assigned responsibilities.

In considering this draft legislation, the government's first concern has been to ensure all of its obligations under the convention have been fully met. At the same time, however, the government has also paid very close attention to the convention's impact on the affected Canadian industries and has sought to achieve maximum effectiveness with the minimum amount of interference in the legitimate activities of those industries.

(1135)

Fortunately in this regard the government has benefited from several years of close consultations with the most affected industries both during the course of the negotiation of the convention and in the preparations for the convention's implementation in Canada.

Throughout, the response from industry has always been positive and constructive. It was the Canadian Chemical Producers' Association which produced one of the first papers submitted to the conference on disarmament concerning the issue of confidentiality.

In 1990, thanks to the co–operation of the Canadian Pharmaceutical Manufacturers' Association and Merck Frosst, government officials were able to conduct a trial inspection of the Merck Frosst facility near Montreal to test the verification provisions of the convention. Both associations provided representatives to participate in annual industry consultations with negotiators in Geneva.

In our preparations to implement the convention in Canada, we have continued to consult closely with industry on the impact of the convention by distributing information brochures, briefing industry associations and contributing articles for industry publications, conveying information seminars and sending questionnaires and information material to some 2,100 companies across Canada to help determine which companies will be affected by the convention.

Almost without exception the response from industry has continued to be very constructive and encouraging. We confidently expect that as we proceed with this draft legislation and its associated regulations, this high level of co–operation with industry will continue.

The government believes the draft legislation before us is not only appropriate and necessary but represents the most balanced and cost effective means of implementing the convention obligations in Canada.

We all recoiled with horror some two months ago when in an unprecedented act of senseless barbarity, madmen unleashed chemical weapons on unsuspecting Tokyo commuters one early spring morning. We may not be able to prevent individuals from committing such unspeakable acts, but with the successful passage of the proposed legislation we can at least hope to control and deny them access to the materials for such weapons. This morning I was very pleased to read in the news that the police in Japan arrested those responsible for the nerve gas attack on Tokyo's subway.

With all party co–operation, which we will be getting in consulting with the official opposition and the third party, all three parties would like to get this legislation through as quickly as possible. When we do, hopefully the convention and the legislation will prevent the production, stockpiling and use of the kind of substance used on the Tokyo subways.

[*Translation*]

Mr. Nic Leblanc (Longueuil, BQ): Mr. Speaker, I am pleased to rise in this House today on behalf of the Bloc Quebecois to speak on Bill C–87, an act to implement the convention on the prohibition of the development, production, stockpiling and use of chemical weapons and on their destruction.

We appreciate that the convention is the result of a long and complex negotiation process that took nearly 20 years.

For more than 100 years, the international community has been seeking to outlaw these weapons, or at least their use, because they are inhumane and of rather limited military value.

We should also rejoice over the fact that the convention is the first multilateral disarmament agreement prohibiting an entire class of mass destruction weapons. Under this convention, it is illegal not only to produce, but also to acquire, stockpile, transfer, use or engage in military preparations to use chemical weapons or assist anyone in any activity prohibited under the convention.

(1140)

The prohibition applies not only to chemical agents but also to their vectors and any equipment intended for use in relation to chemical weapons.

We are pretty happy with the wording of the convention, which strikes a balance in a mix of areas, such as the protection of sensitive activities and ready access for inspection teams.

The convention provides for a challenge inspection mechanism while at the same time protecting sensitive and legitimate activities by putting time limits on the inspections, and by providing for restricted access and measures to deter abuse.

A balance was also struck between the need to maintain control over exports to suspect states and the will to liberalize the chemical products trade. Members of the Australian group, which includes Canada, and which monitors the proliferation of chemical weapons and defines the guidelines for controlling exports to countries deemed to have chemical weapons, pledged to review their policy and eliminate controls in the case of those states which fully comply with the convention.

Another balance was struck between the requirement to destroy chemical weapons within prescribed time frames and the need to take economic implications into account. All those states which own chemical weapons will have ten years to destroy both the weapons and the production facilities. However, the convention allows for an extension of up to ten years, under more stringent controls which are tantamount to turning over the weapons and facilities to the international community.

The destruction of a chemical weapons production facility costs ten times more than its construction. Consequently, we are concerned about the financial implications, for some states, of this requirement. The problem is very real, even though the convention provides for the temporary conversion of some production facilities into destruction facilities, where this is

feasible and cost effective, thus making it possible to declare such production facilities as having been converted.

Indeed, one of the problems related to the implementation of the convention will be the destruction of arsenals, which is a complex and extremely costly operation. The cost of destroying the American arsenal of these weapons is estimated at $8 billion. Russia, which does not have the funds, has 40,000 to 60,000 tonnes of substances to destroy, which is quite the task and will undoubtedly take over 10 years and then again, only if western countries lend a hand.

By the way, we are not entirely satisfied with the verification system. However, we realize that they are the fruit of several years of negotiation and that they strike a balance between the need to have an efficient means of checking whether countries are respecting the convention and the legitimate need to maintain secrecy in defence and industrial matters which are not related to the prohibited chemical weapons.

We would have nevertheless preferred much stricter controls. The current convention is perhaps the best agreement possible under the circumstances. Regardless, we must admit that the Convention does contain the most rigorous controls ever included in a multilateral agreement. They permit the organization to confirm that substances and chemical weapons factories have actually been destroyed, to monitor very closely all operations authorized to produce certain toxic chemical products, to keep a database on the world chemical industry and, at the request of the signing states, to make inspections.

(1145)

In addition, the on–site challenge inspection will in fact permit any signing state to request a universal inspection of a suspicious operation in another country by the secretariat of the organization and a multilateral inspection team.

We have concluded that the text of the convention is to be criticized for lacking coherence and logic in certain areas. In some cases, for example facilities used to stockpile or to manufacture chemical weapons, it goes into the greatest descriptive detail, and in others, for example the clauses prohibiting the development of chemical weapons, it fails to go into enough detail.

Furthermore, the verification system for declared facilities seems unnecessarily cumbersome and costly, while the so–called challenge inspection system has far less clout.

A major drawback is that paradoxically, enforcement mechanisms will not be in place when the convention comes into force. The director general will still have to be appointed, inspectors confirmed and the list of inspection equipment approved. In other words, each state party to the convention will have the right to request and obtain a challenge inspection, but there will be no one to carry it out. This is only one of the problems the preliminary commission will have to consider very carefully.

Surely it would have been more reasonable to wait until the organization is in a position to fully exercise its mandate before the main obligations set forth in the convention come into force?

It is also unfortunate that the sanctions provided under the convention are not more specific. Article XII authorizes the organization to ask a state party to the convention that does not fully comply with it to take corrective action. If the incriminated country refuses, the organization can then apply a certain number of sanctions and recommend to states parties a number of corrective measures in accordance with international law.

However, the convention remains silent on the kind of sanctions that can be applied. Furthermore, in recognition of the ultimate responsibility of the UN Security Council for international peace and security, very serious cases may be referred to this body for possible further action, in accordance with the UN Charter.

I would like to take a few moments to consider the consequences for the chemical industry in Quebec and Canada. The convention would not appear to have a major impact. Since the second world war, Canada has not produced chemical weapons and has even destroyed its stockpiles. Under the convention, the chemical industry in Quebec and Canada will, however, be subject to regular monitoring. The national authority, an agency to be designated in each state party to the convention, will provide the link with the organization.

The signatory states are required to submit statements to the organization concerning specifically the possession of chemical weapons or the manufacture or export of designated chemicals. These statements will subsequently be used in on–site inspections.

As Canada has neither chemical weapons nor facilities for their manufacture, it would appear that the effect of the convention will be limited in its case to trade.

(1150)

We believe that Canada should assume some leadership with respect to this convention. There is good reason to ask, in fact, what role Canada intends to play in encouraging its partners to ratify the convention as quickly as possible. Canada should assume some leadership in this regard.

Until now, nothing has indicated this to be the government's intention. If it intends to be consistent, it should announce a series of initiatives in this regard in the coming weeks. After all, only 28 countries have ratified the convention up to now, and there should be 65. Need I mention that neither the United States

nor Russia has signed yet? Furthermore, other important states that have yet to sign include Iraq, Libya and North Korea.

In the case of Russia, we realize that the costs of complying with this convention will be significant. However, without Russia and the United States, the convention will not entirely fulfill its role, since Russia and the United States have the biggest stockpiles of chemical weapons. Whatever the case, we believe that, if we support this bill, Canada will soon carve out a prime niche for itself within the various institutions of this new international organization.

In our opinion, the convention on chemical weapons constitutes a fine opportunity to eliminate the threat of chemical weapons. The other option would be to continue to take measures in isolation, an approach that would have neither the generality nor the global legitimacy of the convention. The convention gives traditional arms control a universal scope, with the added possibility of responding vigorously to non–compliance. It also calls for widespread support to determine who complies and who does not as well as what political action is appropriate.

We are therefore happy to support this bill, making Canada one of the first to sign the convention. In our view, this is far from an ideal document. The Bloc Quebecois appreciates however that it is the result of complex and comprehensive negotiations, during which several countries had to make concessions on issues they considered extremely important because they could not get the support of other countries.

Canada is probably one of the countries which had to make the most concessions in order to come up with this document, because it was strongly in favour of an efficient, comprehensive and global inspection scheme that would help build confidence. The Bloc Quebecois fully agrees with the position taken by Canada in the past. In fact, we still consider being able to request an inspection anywhere, anytime, and seeing this inspection carried out immediately without restrictions being imposed on inspectors as the best way of ensuring safety.

While, at present, few countries recognize possessing chemical weapons, notably the United States, Russia and Iraq, we know that many more have the means to use such weapons. We were all distressed by the pictures of Iranians and Kurds killed by Iraqi chemical weapons in the Gulf War. We also feared that chemical weapons could be used against not only troops, but civilian populations. We hope that the implementation of the convention will speed up the peace process.

[*English*]

Mr. Keith Martin (Esquimalt—Juan de Fuca, Ref.): Mr. Speaker, it is a pleasure and an honour to speak today on Bill C–87.

It is a very poignant moment to do so, given the fact that a little more than a week ago we celebrated the 50th anniversary of Victory in Europe Day all across the world.

(1155)

Today we are moving toward enacting a bill to implement the convention on the prohibition of the development, production, stockpiling and use of chemical weapons. The saying goes that all is fair in love and war, but there are conventions which dictate to us as human beings a minimum level of behaviour even in the horrors of war.

This basic level of human behaviour is an obligation of those who engage in war. The use of chemical weapons contravenes that in a most heinous fashion. Terrible acts have been committed on fellow human beings. Chemical weapons are one example of what has happened.

Chemical weapons are weapons of mass destruction. The chemical weapons convention was signed by over 130 countries in January 1993. It is the first multilateral agreement that abhors an entire class of weapons of mass destruction. The act enables an organization to look at chemical weapons production facilities to ensure that they will be destroyed and that the chemical weapons stockpiled by countries will also be destroyed.

All government and industrial facilities will be monitored and the act will be implemented by the countries. It is a powerful act but it is necessary. It is important to realize that it does not impinge on industries to engage in legitimate industrial production of chemicals. It comes down on industries and countries manufacturing chemical weapons for aggressive and warlike purposes.

I reassure industry in Canada that the purpose of the act is not to come down on it but to form a broad framework to be applied not only in this country but in other countries for the collective security of all. I also reassure the industry that its stocks will not be destroyed in any way, shape or form.

There are three categories of schedules in the act. Schedule 1 includes such chemicals we are aware of such as sarin, tabun, soman, and the mustards that were used with widespread and tragic effectiveness in World War I. There are some legitimate uses for these chemicals in pharmaceuticals and in cancer research. Some of the precursors are used. Therefore one would have to obtain permission or a licence in order to use them, and that applies to all 130 signatories.

Schedule 2 includes such chemicals as amiton, which are key precursors for schedule 1 chemical weapons. The individuals and companies that make them will be subjected to scrutiny if they make over a certain amount.

Schedule 3 is the least powerful, the least destructive of all, as they are often used in industry but can in large enough quantities

be used as chemical weapons. We have such chemical weapons as hydrogen cyanide and phosgene that have been used before. Companies that manufacture these chemicals will be eligible for occasional checks and balances as time goes on.

In the act is the establishment of national authorities responsible for collecting information that they will give to an organization that has been set up called the Organization for the Prohibition of Conventional Weapons or the OPCW.

All signatories are essentially responsible for checking within their countries all the industries that will be manufacturing any of the chemicals in the three schedules I mentioned.

The information will then be given to the OPCW which will then decide if it is necessary to take further action. The national authorities in conjunction with the OPCW will facilitate the inspection. They will also control the export and import of chemicals where necessary. The country of origin is responsible for enacting Criminal Code legislation that will provide penalties, fines and imprisonment if individuals or companies are engaging in the production of chemicals for aggressive warlike use in the future. Again, we must make the distinction that the convention is not to be used against companies engaging in the production of chemicals for medicinal or industrial purposes.

(1200)

I caution the government that the cost should not be excessive. We must do this within our fiscal constraints. We want to ensure that the agency that will be set up will not be onerous or develop a morass of bureaucracy in the future. We do not have the money to do that, as we all know.

Some may argue why this convention is necessary; did chemical weapons not go out with the first world war? The reality is unfortunately they did not. We have seen more recently in Japan the release of chemical weapons that had tragic effects. Sarin was released on a civilian population, killing hundreds of individuals. Stockpiles have been found in Japan. More recently the Iraqis have used chemical weapons for aggressive purposes to commit genocide within their own country against Kurdish individuals. That is a hot spot which will affect us in the future.

The convention was designed to keep good countries in check and to come down hard on those countries that would seek to use these weapons from Hades in a fashion that is aggressive and would cause destabilizing effects.

The UN will be the ultimate body that will receive information from the OPCW. That brings a larger question, which we ought to examine, which is the ability of the United Nations to act quickly and effectively in the face of threats to regional and international security. We have seen Rwanda, Burundi, the former Yugoslavia, Angola, Sierra Leone, and the list goes on. In fact there were over 40 major conflicts in the world last year. That number is not decreasing; rather, it is increasing. In the future we will see countries such as Nigeria, the Sudan, possibly Kenya, Kashmir, and a host of other countries blowing up—not to belittle those already on the front pages of newspapers, showing on a daily basis the tragedies civilians are enduring in places like Bosnia, Croatia, Burundi, Rwanda, East Timor. The list goes on and on. We have learned nothing in over 50 years. We ought to remember that.

The OPCW is an example of what is considered to be conflict prevention. Even though this is a small but very important act, there are many lessons that can be learned as conflicts loom ahead. In fact there are many things we can do to prevent future conflicts. The United Nations must set in place a list of transgressions that are completely unacceptable to the international community. It must set a list of transgressions down that are threats to regional and international security, behaviours that are considered to be patently unacceptable such as genocide and gross human rights abuses.

I also mention countries engaging in self–destructive behaviours. I bring to the attention of the House the expenditures occurring in military hardware. Many people believe that in the post–cold war era we live in a safer place. We are far from it. The world as we know it now is a much more dangerous place.

While there was a decrease in global arms spending from 1987 to 1990 of some $240 billion, military spending in many parts of the world has actually increased. It is interesting to note which countries are increasing their expenditures. Curiously enough, it is particularly in the poorest areas of the world. Sub–Saharan Africa and east Asia did not have a decline in their military expenditures; rather, they were increased.

In general when we see violent conflicts occurring the military expenditures are increasing also, which means that they are taking away from the expenditures necessary in providing basic human needs.

(1205)

According to the UNDP, in 1990–91 all developing countries spent the equivalent of 60 per cent of their combined expenditures for education and health on military expenditure, compared with 33 per cent in industrialized countries.

Let us take a look at who spends the most on military hardware. It is very telling. In 1990–91: Somalia, 200 per cent military spending compared with health and education spending; Ethiopia, 190 per cent; Angola, 208 per cent; Yemen, 197 per cent; Pakistan, 125 per cent; India, 138 per cent; Myanmar, 222 per cent; Iraq, 271 per cent; Sri Lanka, 107 per cent; Syria, 373 per cent of its spending for education and health was spent

on military expenditures. Clearly these countries are not among the richest of the world; rather, they are among the poorest.

Along with this list of transgressions we also need to draw up a list of responses from the international community. For example, early diplomatic initiatives can be employed, along with positive propaganda. The former Yugoslavia and Rwanda are interesting examples. When the conflicts were first beginning, the people who started to stir up and fan the flames of ethnic discontent were in part using negative, hateful propaganda. The people who were on the ground, NGOs and representatives from other countries, saw this and were helpless to do anything about it.

A lot could be done if a system were set in place by the United Nations to immediately put positive propaganda into the theatre when negative and hateful propaganda is being spewed forth by individuals who are trying to fuel the flames of ethnic discontent and trying to stimulate conflict. I think it would do a lot to dampen down the hatred and ethnic conflict as it starts. It is an interesting area for us to try to convince the United Nations to engage in.

Another aspect, which is particularly appropriate given the fact that the G–7 summit is occurring in Halifax in June, is the use of the international financial institutions as non–military and inexpensive levers on countries that are engaging in these transgressions I mentioned before. It has not really been looked at very carefully.

We were in Washington not too long ago and I spoke to Mr. Fauver, Mr. Clinton's sherpa for the G–7 summit. I asked him if we could use the international financial institutions to exert pressure on countries or groups who were trying to stimulate a conflict by trying to pit one person against the other. He said it could be done but that it was difficult. I think this might be an inexpensive but effective and eloquent way of trying to defuse conflicts before they occur.

Something that could be done is not renegotiating the loans of countries. They need money to fight a war; if they do not have the money then they cannot fight a war. We can decrease non–humanitarian aid to countries that are engaging in this behaviour. The removal of preferential trade status is another example of what can be done. These countries should be penalized and brought to task. The international community should let these countries or groups know that their behaviour is completely unacceptable for this to occur.

We can then go ahead and do the traditional form of diplomatic initiatives. Something the government has put forth, which I think is a very good move, is the construction of a rapid deployment force. We are not talking about a standing army but rather a force that would be comprised of individual countries that would contribute arms, equipment, or people to go in on short notice to areas of conflict in order to dampen down a conflict or prevent a conflict from happening. This might be another issue that could be brought up at the G–7 summit in Halifax. We are not talking about an army that would stay at one place at one time; they would stay in their countries of origin.

Another useful aspect is that these groups could come together on a periodic basis and train. One of the problems the United Nations has always found is that when they get soldiers and put them into a conflict the left hand does not know what the right hand is doing. They do not know the equipment, they do not know the commanders, and they do now know how things work. This would obviate that, by bringing them together every year or so to go through manoeuvres and the motions so that they will understand how to engage in a conflict such as this.

(1210)

We also have to combine the increased monitoring capability of the United Nations. In the UN there exists a crisis monitoring group, but to date it has been very ineffective in actually informing the United Nations in a timely fashion about conflicts that are occurring. Much can be done in this area also. We need to incorporate NGOs and groups on the ground to form a network of military intelligence that could feed information in an expeditious fashion to the UN crisis group, who could then process it and give it to the United Nations.

What is the rationale for all of this? People will ask why we are getting involved in the affairs of other countries. The rationale is very clear. Contrary to what has happened in the past when armies were killing each other, most casualties that occur in conflicts these days are not army personnel but are innocent civilians. We saw this in Bosnia and in Rwanda time and time again.

In 1993 there were over 40 million displaced people in the world. The United Nations high commission for refugees recognized this as a great tragedy. Where do these refugees go? They move within their own countries but they also emigrate to other parts of the world. No border is completely intact; borders are in fact porous. What happens half a world away will come back to affect us. The United Nations also estimates that while there are presently 40 million refugees, the number is likely to increase to over 100 million by the year 2000.

When conflicts do occur, we see the massive and widespread destruction of a country. All the aid, development, and hard work of decades are washed away in the course of a month or two of conflict. It will take decades to rebuild that. Furthermore, the seeds of hatred are planted, not only in the people subjected to the war but also in the unborn children, because they will be subjected to the same hatred and prejudices their families were

subjected to. This is a cancer that starts very early and grows. It takes generations to go away, if at all.

Also, within our own country when conflicts erupt we are forced to engage in peacekeeping, peacemaking, defence initiatives, aid and development at a cost of hundreds of millions of dollars a year. Is it not better to put in a few dollars now and save hundreds of millions in the future, rather than wait until everything blows up?

There is no need to discuss the humanitarian aspects of those who are involved in the conflicts because they are evident. For those of you who have seen war situations, as I have, it is not a pretty sight. These individuals want nothing more than to live in peace and harmony but are forced to engage in activities or have heinous crimes meted out to them, which they are powerless to deal with.

One mistake made in foreign policy is in the global community we do not have the backbone to deal with individuals who for their own self–interests are stimulating ethnic hatred. When we negotiate with these people it is important to realize they are not necessarily speaking for their entire populace. They may be only be speaking for a very small number of people. Their motivations should be questioned at every turn.

Few countries in the world have the international recognition and capability to form a system to address the pressures and conflict we will have in the coming new world order. Fortunately, Canada is one of the few that can do this. We must persuade our colleagues in the international community to set up a framework and a system of responses from the international community and identify early on the precursors to conflict. In short, we must do what we can, where we can, and when we can, given the fiscal constraints that are put upon us.

(1215)

The action we have taken with the conventional weapons ban is truly admirable and is a shining example of what Canada can do. People may not understand that Canada is one of the leaders in putting forth this ban. It is something we as a country ought to be very proud of.

While we have managed to put forth a convention on the ban of mines, I suggest Canada take a leadership role in putting forth a convention on banning the production, stockpiling and sale of land mines and anti–personnel devices because their primary target again is civilian.

Once a conflict is over these land mines and anti–personnel devices stay for decades and I will give some examples. It is also important to realize that these weapons are not meant to kill; many of them are meant purely to maim and they maim children.

Many of the anti–personnel devices are showered from helicopters or planes. They are made of plastic and look like little toys. Children pick them up and get their arms or their legs blown off. I have seen this in Mozambique. Teenagers found these things and had body parts blown off. Believe me, it is not fun to spend four hours in a hospital operating room debriding somebody's leg after taking off the other leg.

Worldwide there are over 100 million land mines that have been set. It not only affects what we know about Cambodia but in Afghanistan 400,000 people have been wounded. The UN is now engaging in activities to remove land mines. About 85 hectares a year are done. It will take 4,300 years to clear Afghanistan of mines.

In Croatia over 330,000 hectares are completely uninhabitable and totally useless for industry. It costs Croatia over $230 million a year purely because the area is seeded with land mines.

Chechnya is another example where hundreds of thousands of land mines were sown in a very short period of time. Many areas of Chechnya will not be able to become economically self–sufficient for a long time because of that. When the civilian population tries to plant their fields or go to work, they will continue to be subjected to periodic incidents of having their limbs blown off or of being maimed.

Many of the land mines are plastic, some are metal and many are invisible. They cost between $3 and $30 to manufacture and up to $1000 to get rid of. Every year there are two million land mines seeded and about 85,000 being removed.

There is a land mine called the black widow or the PMW, a 10 centimetre plastic mine with 240 grams of TNT that can rip off a leg at the hip. There are about 20 million of these land mines deployed all over the world. China and the former Soviet Union make them.

There is the Valmara 69, also known as the bouncing betty. This one leaps up one metre and explodes, showering metal fragments for 20 metres. It is made in Italy. It is shocking to see the countries that actually make these, from the United States to many countries in Europe to China and the former Soviet Union.

This is something we need to address and Canada can take a leadership role in this. There is no military use whatsoever for this weapon which again is primarily used to maim civilians. Usually those who are maimed the most are the children and the men and women who work in the fields. We must take a leadership role on this as we have done on chemical weapons.

While we have had the convention on chemical weapons, we also need to consider the aspect of conventional non–nuclear weapons. The proliferation of non–nuclear conventional weapons, particularly small arms, is something that is having a huge destabilizing effect on the world stage.

When I worked on the Mozambique border there were hundreds of thousands of AK–47 assault rifles pouring into South Africa from Mozambique. An AK–47 can be bought for $5 to $20. When you have an AK–47, you have a lot of power. These people are desperately poor. They have no food and are starving and all they can do is sell these weapons. These weapons are ubiquitous in the developing world and there is a huge destabilizing force in that. It also enables people to engage in violent criminal acts which also impedes a country's ability to get on its feet economically.

(1220)

Whether we are looking at west Africa, southern Africa or east Asia, crime is one of the largest problems confronting the developing world. It is something we need to address.

The G–7 summit is coming up. Over 90 per cent of conventional weapons are made by G–7 nations. It is hypocritical for us to say we are helping countries on the one hand with our aid and development, but on the other hand we are selling them the arms either through private dealers or by government to government sale. We are cutting off our nose to spite our face because in the long run conflicts brew. These are not things to be taken in isolation. They are to be taken collectively in the name of collective security.

Bill C–87 shows that Canada can, as it has in the past, show leadership in foreign policy. One person not so long ago in the celebrations of V–E Day said a poignant and kind thing about the people of this country: ''If the Canadian people could look at Canadians the way the people in Holland look at Canadians, then indeed they would learn a lot and indeed they would be proud''.

I ask the government to remember that. I ask the Canadian people to remember that in the hope that we can use that esteem and respect we have on the international stage to become more aggressive in addressing these threats to international security, not only for the people who are involved, but also for the people in this country.

Although we may be far away from areas of conflict and think we are immune to it, we are not. People will leave areas of conflict, the have not areas to areas that have. Canada is a have country. It will put stresses on this country that we are not prepared to deal with. It will cost us money that we do not have. Above all else, we should do it for humanitarian reasons. Although we may be different peoples, we are in fact one people on one earth.

Mr. John Bryden (Hamilton—Wentworth, Lib.): Mr. Speaker, it is a pleasure to speak to Bill C–87, an act to implement the chemical weapons convention. It is appropriate at this time to remind the House and all Canadians that Canada has much at stake in this piece of legislation. It touches the very heart of our military history.

I remind the House that on August 15, 1915 Canadian soldiers were the first soldiers to be subjected to a systematic gas attack. Inexperienced Canadian troops occupied the trenches at Ypres in Belgium. At that point in the war there had been a stalemate on the western front. It was very difficult for either side to move forward using conventional weapons.

On that day the Germans released chlorine gas from their trenches. The Canadians held the line immediately in front and on their right were French colonial troops. What the Canadians saw first on that early morning was a white cloud advancing slowly toward them. They were filled with curiosity, wondering what it was. It was like a low lying mist. As it approached and reached their trenches they were suddenly seized at the throat. When they breathed they breathed fire and they fell gasping to the ground and into the trenches, writhing and suffering.

The Canadian troops very quickly realized it was poison gas. The French colonial troops on their right broke and ran in a panic, but the Canadian troops, those who survived, climbed out of the trenches and lay on the parapets while the gas passed. Actually, it is a great moment in the annals of Canadian military history. Even though many of those young Canadian troops died, they held the line and resisted the gas attack.

(1225)

After that first attack, gas became very popular on the western front. The French discovered it was chlorine and responded with their own gas. Then there was an arms race of various types of noxious substances. They went to phosgene gas, hydrogen cyanide and other variations.

One of the most effective gases that was discovered during the first world war came to be known as mustard gas. This gas has been used in very recent times such as on the Kurds in the Iran–Iraq war. When the vapour touches the skin it immediately causes huge blisters. It also causes blindness. When it is breathed in, it blisters the lung and causes death.

As the war progressed it became very common to hear the sound of artillery firing gas shells. Instead of the explosion afterward, there was a popping and hissing noise. Along the western front because both the German troops and our allies were using gas, troops on all sides had rattles. When they heard the gas attack, they spun the rattles.

I would like to read a few lines from a famous poem by British poet Wilfred Owen called ''Dulce et Decorum Est''. He captures what it was like during these gas attacks in the first world war. He begins:

> Gas! Gas! Quick, boys! An ecstasy of fumbling,
> Fitting the clumsy helmets just in time;
> But someone still was yelling out and stumbling
> And flound'ring like a man in fire or lime—.
> Dim, through the misty panes and thick green light,
> As under a green sea, I saw him drowning.
> In all my dreams, before my helpless sight,
> He plunges at me, guttering, choking, drowning.

It was that kind of horrific experience which captured the imaginations of all nations during the war and after its conclusion.

One of the results was the 1925 Geneva protocol which outlawed the use of gas. It was a recognition by states worldwide that the use of this weapon actually took the very minimum essence of humanity out of warfare. It reduced warfare to a matter of exterminating the enemy like vermin. This was felt to be, and we still feel it today, unacceptable behaviour on the part of people who would be regarded as human beings.

Therefore the Geneva protocol in 1925 was passed. Like the current chemical warfares convention, it was not ratified by all nations. In fact the United States did not ratify it until 1970. It had an impact. That impact was to give all nations of the world the sense that chemical weapons were an illegal weapon, a weapon that was wrong to use.

Nevertheless by the time we got into the late 1930s, it became very clear that chemical weapons were going to be used again. When the Italians occupied Abyssinia, the former Ethiopia, they attempted to colonize it by conquest. They used poison gas on the helpless civilians as a way of experimenting with chemical weapons in the event of another world war. That had an immediate impact in Canada.

It was at about that time a former chief of staff, General Andrew McNaughton, became the head of the National Research Council, that lovely stone building at 100 Sussex Drive. He felt that as a result of what the Italians were doing there was a good chance that gas would be used again in any outbreak of hostilities.

He initiated research in Canada on protection against the use of gas. We started with the development of gas masks and charcoal containers. That work went forward at the National Research Council.

(1230)

Then when the war broke out in 1939 we stepped up our activities and research on poison gas, particularly defensive research which is a very Canadian thing to do.

In 1940 with the fall of France, Britain was suddenly desperate. When France collapsed Canadian troops were the only troops who still had their equipment. The British immediately mobilized all their available gas weapons with the expectation of soaking the Germans with gas should they invade. The weapon the British had at the time was principally mustard gas contained in collapsible drums. It was very primitive. They expected to fly over the beaches if the Germans invaded and dump this out of the aircraft and hope it would injure enough troops to deter the attack. The attack did not come, however.

The initiative to develop gas weapons went forward very rapidly. The British were very concerned the Germans were developing the weapons and felt they should as well. Britain is a small country and so the United Kingdom turned to Canada for assistance in the development of poison gas weapons. This led to the opening of the proving grounds at Suffield, very large proving grounds near Medicine Hat, where Canada undertook experiments with various types of poison gas. Canada expanded from mustard gas into research developing out toxins such as ricin. During World War II thousands and thousands of animals were killed at Suffield during tests on various types of poison gas.

One direction of the research was to find a poison gas that was heavy. During the second world war many of the poison gasses were too light and consequently would rise and dissipate. The direction of the research was to find a gas that was very heavy and would flow along the ground and flow into the trenches and would be very deadly.

The United States also accelerated its production of poison gas. Even before the war with Japan, before the end of World War II, the Americans were conscious that gas could be a factor. In typical American style they concentrated on mass production. By about 1942 the Americans had tens of thousands of tonnes of liquid mustard gas and other types of gas and had developed bomb casings to deliver these.

The Canadians tended to specialize in actual research. We did experiments on humans. It was felt that one had to be sure the gas was effective. Many Canadian soldiers volunteered to be subjects for tests of poison gas. Sometimes these tests were very elaborate and I am sorry to say there were injuries to Canadian troops from the poison gas tests at Suffield.

At McGill University Canadians made the biggest breakthrough among the allies in developing poison gas. A team at McGill discovered a nerve gas. It had been doing research on pesticides and made a connection with between pesticides which had caused accidental deaths and developed a nerve gas.

The scientists in Britain and the United States rejected the Canadian development and it never proceeded to production. It is ironic because the Germans were developing gas weapons of their own. They had made a major breakthrough by developing several types of nerve gas, sarin and tabun, which were many times more toxic than the traditional gasses used in the first world war, the mustard gasses. Hitler had an enormous stockpile of these weapons.

(1235)

Hitler was influenced by the 1925 Geneva protocol. Although he was essentially a mad man in charge of a country who led to hundreds of millions of injuries and deaths across the continent, for some reason he was affected by the 1925 Geneva protocol and did not order the use of gas. Research in German archives discloses that Hitler was very much opposed to the use of gas. That probably has racial overtones. He probably thought it was improper to use it on the British and that kind of thing. We cannot get into Hitler's mind but the Geneva protocol did prevent this dictator from resorting to this ghastly weapon.

The irony is that on the Allied side there was a desire to use the weapons; Winston Churchill wanted to use poison gas on the Germans. Even as we approached Normandy Churchill was very conscious of the fact there would be casualties and he pressed his chiefs of staff to do a study to determine whether it would be effective to use poison gas during the invasion of Normandy.

I will quote from a document of the time. It was written by Churchill to his chiefs of staff on July 6, 1944:

> I want you to think very seriously over this question of using poison gas. I would not use it unless it be shown that (a) it was life or death for us, or (b) that it would shorten the war by a year. It is absurd to consider morality on this topic when everybody used it in the last war without a word of complaint from the moralists or the church. On the other hand, the bombing of open cities was regarded as forbidden. Now everyone does that as a matter of course. This is simply a question of fashion, changing as she does between long and short skirts for women. I want a cold blooded calculation made as to how it would pay us to use poison gas, by which I mean principally mustard.

The chiefs of staff circumvented Churchill and made sure no order was ever put forward. Churchill's desire was never implemented. They deliberately out foxed the old fox himself. At that time the Germans had enormous stockpiles of nerve gas and if the British had used mustard gas there would have been an incredible retaliation on London and the British would have lost more civilians than the Germans.

Again we return to the 1925 Geneva protocol by which the British chiefs of staff recognized how inappropriate, how wrong and how against civilization it would have been to use poison gas even when the head of state was pressing for its use.

The Americans had an enormous stockpile of mustard gas. They had tens of thousands of tonnes of mustard gas. In 1943 when they attacked the Island of Tarawa in the Pacific, the Japanese resisted so fiercely the Americans marines lost 3,000 and 1,000 were wounded, as against about 4,000 Japanese killed. The lesson the Americans took from that was it was to be very costly to fight the Japanese in an island hopping war.

Therefore the American chemical warfare service proposed to secretly use poison gas to suppress the islands in Japan. However, the Americans felt they needed the concurrence of their allies. They approached Canada, which by that time was in a state of co–operation with the Americans in the development of these terrible weapons. They approached Canadian scientists at the National Research Council and in the military and asked them to do a report confirming that poison gas would be an effective way to suppress the Japanese islands.

What happened is very interesting. There was no doubt mustard gas, at no cost in American casualties, would have suppressed the garrisons on any island in the Pacific. Mustard gas is more effective in the tropics than in temperate climates.

(1240)

The Canadian scientists, when they were asked for this report, fudged the figures. They put out a false report which actually claimed chemical weapons used in the Pacific theatre would not be any more effective than high explosive weapons. A chemical warfare service was knocked back a step in that it was trying to get the approval of the chiefs of staff and President Roosevelt to use gas. It lost the argument when the Canadians refused to get onside. That is another reason Canadians have a special place in the debate about chemical weapons. During the second world war we very positively prevented the use of those weapons by the Americans.

What is driving this sense of morality is the 1925 Geneva protocol. This brings me to the current chemical weapons convention. This convention is an enormous improvement over the 1925 protocol. It contains various sanctions and rules. No law passed by the United Nations can actually prevent the use of this terrible technology.

The chemical weapons convention is symbolic. It tells countries that if they use these weapons they are renegades and no longer part of civilized humanity. It causes nations to pause when they might be contemplating this action. It gives moral limitations to how nations will react to one another.

This type of moral sanction is vital in this age, when we move into the next century and when we do have wars in which terrible phrases like ethnic cleansing are used. The chemical warfare convention will not prevent terrorists like those in Japan from mixing their own chemical weapons and using them, but it will forever outlaw that type of behaviour and make sure at the very least the use of chemical weapons is not something resorted to by civilized states.

Mr. Jesse Flis (Parliamentary Secretary to Minister of Foreign Affairs, Lib.): Mr. Speaker, I thank the hon. member for Hamilton—Wentworth for his contribution. I know he gave up part of his life to do in depth research into this whole field.

How did he obtain such detailed information from the U.S., Great Britain and Canada? Is that information wide open now or is some of this information still under wraps? Do we need to do further research?

I am very concerned about the stockpiles of mustard gas in 1943 which the hon. member mentioned. What happened to those stockpiles? How did countries get rid of these stockpiles?

There may be a lot of work to be done yet but at least this bill will go a long way in preventing horror stories in the future.

Mr. Bryden: Mr. Speaker, I thank my colleague for his question.

Most of the documentation I used for my studies on the subject came from the archives here in Canada but only by chance. The majority of the original documents had been deliberately destroyed around 1970 or thereabouts by persons unknown. I was fortunate, however, to find microfilm taken of these documents and hidden away in a dusty corner of the archives by a civil servant we will never know. That led me to do the study.

Unfortunately even the documents I had were incomplete and consequently I could not determine for sure whether in the post–war period Canada did dispose of its considerable stockpiles of chemical weapons. We had a mustard gas plant at Cornwall, Ontario, which at the end of the war had 2,800 tonnes of mustard gas. Most of it was dumped at sea, which raises some very serious environmental questions.

(1245)

A few years ago the Department of National Defence made a concerted effort to get rid of any stockpiles we had. I am confident we no longer have them in Canada.

One of the problems is verifying what countries have in terms of their compliance with legislation. With a chemical warfare convention such as this one we rely very heavily on the sincerity and the good motivation of countries. There are ways of hiding these things. That was why I was saying in my remarks that the symbolic part of the chemical warfare convention is just as important as its actual practical measures.

[*Translation*]

Mr. Jean H. Leroux (Shefford, BQ): Mr. Speaker, I am eager to participate in today's debate on Bill C–87, an act to implement the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction.

Today, when they look at the world around them, people in Quebec and Canada are concerned. We are concerned because we do not know what awaits us in the future. We are worried about the nuclear weapons that are still around, about the biological and chemical weapons scattered throughout the world.

By passing this bill, the Canadian government will be among the first 65 countries to ratify the convention on chemical weapons out of the roughly 135—there are perhaps 132 at this time—nations that have signed it. The convention will take effect 180 days after the 65th state to ratify this agreement tables it. Along with my party, the Bloc Quebecois, I wholeheartedly support this convention on chemical weapons, which follows the debate on arms control and disarmament.

The convention on chemical weapons is the result of more than 20 years of negotiations at the conference on disarmament and the forums that preceded it.

For the first time, we have an instrument that really resulted from an actual multilateral negotiation process. The signing parties undertake to refrain from various activities in relation to chemical weapons, to co–operate in a number of ways so as to facilitate the implementation of the convention and to ensure that persons also refrain from those activities and provide the necessary co–operation.

Since the Second World War, the issue of the arms race has come up every time the prospects for enduring peace or the possibility of war is discussed. Most observers felt that the arms race was intrinsically dangerous and ultimately destabilizing. Western countries thus found themselves facing a paradox: on the one hand, they believed that force deters aggression; on the other hand, they were convinced that the arms race alone could provoke a global war.

The latter shook up our certainty that deterrence is the best form of insurance against potential aggression. We could not avoid the disturbing realization that the very measures taken to ensure our security could bring about our downfall and lead to a global conflict.

(1250)

The debate on arms control is largely based on the preconceived notion that any arms race is, by definition, a chain reaction which tends to trigger an escalation of the conflict. The responses of warring states to the stockpiling of conventional, nuclear, chemical and bacteriological weapons, as well as the attempts made by each side to gain the upper hand lead to destabilization and greater international tension.

It is claimed that, if there is another world war, it will be by accident, in the sense that it will result from a climate of suspicion and crucial errors of judgment made regarding a regional conflict. This is why it is essential, for international stability, to control the arms race.

However, military experts contend that arms control merely regulates the arms race, instead of limiting it. Many issues remain very timely, even though the cold war is over and these issues are no longer related to an east versus west situation. There is a new phenomenon on the international scene: regional

armed conflicts resulting from the emergence of new nations and the fact that others are trying to increase their influence.

Since most of the objectives of the superpowers' traditional arms control program have now been reached, the international community is turning its attention to measures designed to prevent a wider proliferation of nuclear, bacteriological and chemical weapons. That goal is now part of an effort to face today's geopolitical realities. Indeed, the time has come to carefully reassess existing monitoring mechanisms.

Following a resolution passed by the UN general assembly in December 1993, it was announced, in March of this year, that the delegates at the conference on disarmament had reached a consensus on a proposal to set up a special committee to negotiate a reduction of fissionable material production for nuclear arms. Conference delegates also discussed, among numerous other issues, chemical weapons, in the hope of developing a convention on such weapons.

That was not an easy task, since the participants did not agree on the monitoring procedures. The 1990 U.S.–Soviet bilateral agreements on the sharing of information and the destruction of weapon stockpiles helped further multilateral talks on this issue. In June 1992, the conference on disarmament submitted a draft treaty to prohibit the development, production and stockpiling of chemical weapons. Monitoring activities were delegated to an international organization responsible for the prohibition of chemical weapons, based in the Netherlands.

The long–awaited treaty on chemical weapons was finally signed in Paris, on January 13, 1993. The signature and the coming into effect of that agreement is undoubtedly an historical event. As I see it, this instrument is important for three major reasons. First of all, it represents a real step forward for international security. Second, it is truly universal in scope, since it reflects a number of fundamental balances. Finally, we should also consider what the situation would be like if it did not exist. The convention is the first multinational disarmament agreement that prohibits an entire class of weapons of mass destruction.

(1255)

It prohibits producing and also acquiring, stockpiling, transferring, using or engaging in military preparations to use a chemical weapon or assisting anyone to engage in any activities prohibited by the convention. The prohibition on chemicals covers chemical products as such, their vectors and any equipment designed for the use of chemical weapons.

Furthermore, any state party to this convention would be obliged to destroy all chemical weapons within its territory, those it abandoned outside that territory and facilities for the production of chemical weapons. This is very important. It means this is a truly comprehensive prohibition that affects all chemical weapons in the world.

The convention constitutes an effective deterrent to developing clandestine chemical weapons production systems because of its unique inspection system. By setting a common standard and giving the international community the means to enforce its application, the convention provides the impetus for joint action to eradicate weapons of massive destruction.

Furthermore, all countries that have chemical weapons will have to destroy these, with their facilities for the production of chemical weapons, within ten years. Consideration was also given to the technical and financial problems that may arise when a country must destroy its arsenal of chemical weapons.

The convention provides for certain adjustments, including an extension of the ten–year deadline, which would, however, involve stricter monitoring procedures, tantamount to being under the supervision of the international community. The same applies to exceptional cases where facilities for the manufacture of chemical weapons are converted to civilian use.

In the case of chemical weapons abandoned by one state within the territory of another state, the convention obliges each state to destroy the chemical weapons within its territory while at the same time assigning responsibility for destruction to the state that abandoned weapons within the territory of another state.

State parties to this agreement are responsible for meeting their commitments at the national level, but how they meet those commitments is monitored by the international organization. This applies to the destruction of weapons and the facilities to manufacture them.

If the convention had not been adopted, this would have been a signal to those responsible for the proliferation of these weapons to continue the production. The security of all countries would have been at risk, especially countries in the southern hemisphere. The result would have been to reinforce unilateral non–proliferation policies which would have increased barriers to trade and technology transfers while in addition penalizing developing countries that respect their commitments.

The chemical weapons convention serves the interests of all signatory countries and all countries that will sign in the future. Contrary to what was said in some quarters, it is not designed to serve the sole interests of industrialized countries. On the contrary, it is developing countries that will benefit from the convention. Indeed, in the past few years, unfortunately, it has been the developing countries which have used chemical weapons in their conflicts, while industrialized countries have found them of no interest strategically or as a deterrent.

And understandably, come whatever may, industrialized countries will always be better equipped to detect and to protect

against chemical weapons than most developing countries, which do not have ready access to such equipment. We have only to think of what went on in Japan.

(1300)

Japan is, nonetheless, better equipped to deal with such situations while the same would be more difficult for third world countries, where there would probably be more deaths. In fact, it is the industrialized countries which will take on the better part of the task of industry monitoring by virtue of the fact that their chemical industries are more highly developed.

However because of the extension of the definition of industries considered capable of producing chemical weapons, all countries will be affected by monitoring in one way or another.

Likewise, it is only natural that countries which are willing to be monitored and which respect the commitments made under the convention will feel that the current restrictions imposed under the current non–proliferation agreements are eased up.

It is worth noting that the cost of destroying a chemical weapons factory is ten times that of building it.

Having said this, you will understand our concern with the financial burden that the obligation to destroy chemical weapons will place on certain states lacking the necessary financial means to do so.

The convention's provision that some factories may be temporarily converted into disposal facilities when this is possible and cost–effective, so that they can be considered converted, will not relieve such countries of this problem.

I would like to add in closing that the convention is an historical first, which the conference on disarmament can add to its list of accomplishments.

This convention proves that, when the conditions are favourable, the conference does have the required competence and skill to draft agreements which are as politically sensitive as they are technically complex, and which contribute to the well–being of our respective populations.

The question arises as to the role the Government of Canada intends to play in encouraging its partners to ratify the chemical weapons convention as quickly as possible.

To my mind, Canada must play a strong leadership role in this regard. To date, we have seen no hint of such an intention. If the government wants to act consistently, it should announce a series of initiatives in this regard in the coming weeks. After all, only 28 countries have ratified the convention up to now.

I should perhaps point out that neither the United States nor Russia has signed yet. We realize that it will cost Russia significantly to comply with the convention.

What will the federal government do to help Russia get rid of its chemical weapons stockpiles? In my opinion, Canada should take a creative approach. For example, should the federal government not consider providing technical assistance to Russia, as it has in the past? It could, for example, set up a task force of technical experts.

We know very well that there are competent people in Quebec and in the rest of Canada to do this type of work, whose main thrust would be the evaluation of how Russia, for example, could destroy its manufacturing facilities and its chemical weapons at minimal cost.

Clearly, signatures and ratification mean little. Accordingly, in addition to de facto intentions, the federal government must ensure the organization has the intention and the resources to make the monitoring system a reality.

As you know, both Russia and the United States must participate in this convention, if it is to fulfil its role, since they have the biggest stockpiles of chemical weapons. As I said earlier, neither has yet signed.

We in the Bloc Quebecois believe that our support for this bill will mean that Quebec and Canada will be able to quickly carve a choice niche within the various institutions of this new international organization.

(1305)

[*English*]

Mr. Jack Frazer (Saanich—Gulf Islands, Ref.): Mr. Speaker, it gives me a great deal of pleasure to be able to speak today to Bill C–87, an act to implement the convention on the prohibition of the development, production, stockpiling and use of chemical weapons and on their destruction.

Questions on chemical and biological weapons were first placed on the United Nations agenda in 1969. On September 3, 1992 the conference on disarmament reached a significant milestone in its negotiations with the completion of the draft text of the convention on the prohibition of the development, production, stockpiling and use of chemical weapons for presentation to the United Nations.

After more than 20 years of long, often difficult discussions on negotiations at the conference on disarmament and its predecessors in Geneva, the triumph was an agreement finally arrived at as a result of genuine, multilateral negotiations.

Approval by the United Nations general assembly paved the way to the signing ceremony in Paris in January 1993. Canada, a strong advocate of multilateral efforts, can take pride in being

one of the 160 signatories of the chemical weapons convention. The convention completely outlaws an entire category of existing weapons of mass and indiscriminate effect and provides for a system of multilateral verification, thus setting a new precedent at the global level.

As one of the 65 nations that has promised to ratify the treaty and bring it into force, Bill C–87 is our commitment to implement this convention. Impetus causing responsible nations to move toward this agreement was provided by the gulf war which provided a heightened awareness of the dangers of proliferation.

The international community learned important lessons in the disarmament of Iraq involving the destruction, removal or rendering harmless of chemical, biological and nuclear weapons. This poignant lesson played an important part in convincing the international community that it was imperative for nations to put aside differences and to work together to outlaw these terrible weapons of human destruction.

When I was a military officer in Germany, I was required for several days every month to live and operate in a chemical suit with a gas mask close by hand. This was a very traumatic and very deeply held experience because while we, the military people on the base, had our chemical suits and our gas masks, we were fully aware that our dependants did not. Should there be an attack, and we were aware that the former Soviet Union regularly used this type of weapon in their exercises, our dependants would be very vulnerable.

There was an evacuation plan but this was a tremendous undertaking and would take a tremendous amount of time. Thus, we were very much aware of the risk that they were under. As a result, I feel as strongly as anyone can feel that we must do our utmost to rid the world of chemical weapons.

Since they have the greatest number of chemical industries, the willingness of the United States and Germany to co–operate was vital. Germany ratified the agreement in August last year. The United States, with the second largest chemical stockpile in the world, is expected to ratify the treaty this year. This will hopefully send out a hurry up message to other countries that have pledged their support.

We too must move without delay to implement Bill C–87, thus signifying our commitment to ratify the treaty. In this spirit, I support this legislation.

During the January 1994 joint summit meeting in Moscow, Presidents Yeltsin and Clinton declared their intention to promote ratification of the treaty as rapidly as possible, thus enabling the convention's entry into force this year.

However, the real work lies ahead. Costs of implementation will be high. As a rule of thumb, it costs 10 times as much to destroy chemical weapon production facilities as it does to build them in the first place. With each country bearing individual responsibility for the destruction of their chemical weapons, undoubtedly there will be financial problems for some members, particularly emerging countries and Russia. Both financial and technical assistance to those countries seeking to destroy their chemical weapons must be provided by member states and this will include Canada.

(1310)

A universal system of verification to monitor and ensure the destruction of stockpiles will be carried out by the Organization for the prohibition of chemical weapons, OPCW. The scope of its activities is complex and its mandate is to verify: first, the destruction of chemical weapons; second, the destruction of chemical weapons production facilities; third, to verify non–compliance, ensuring that activities prohibited under the convention are detected and traced; fourth, to verify permitted production in the chemical industry, to ensure that only activities not prohibited under the convention are carried out; and fifth, to perform investigations concerning non–compliance, that is, challenge inspections, to ensure that the cost of cheating will outweigh its benefits.

Estimates indicate that the organization for the prohibition of chemical weapons will have up to 1,000 staff and will operate with an annual budget of $150 million to $180 million. Who will pay for this? International inspection expenses will be met by Canada and other members, according to a United Nations scale of assessment, in addition to the cost of eliminating our own chemical weapons and facilities.

For emerging member countries, the price of compliance will have to be added to the chemicals they export. That will make them less competitive.

There are other problems, as noted in the book *An End to Chemical and Biological Weapons?* by Richard Latter. It states:

> It is unclear whether major countries, for example the United States and Russia, will be prepared to fund the CWC sufficiently, given their other commitments—The U.S., which calculates that incinerating its 30,000 ton stockpile would cost $6 to 7 billion, have also agreed to foot part of the bill for destroying the 40,000 tons of Russian weapons stock. Even so, the problems of getting a destruction program under way means Russia will almost certainly have to invoke treaty provisions allowing an extra five years to complete the task.

No doubt Canada will be asked to shoulder some of this burden but the overall costs are still largely unclear.

In Canada, information from a 1988 survey indicates our chemical industry does not use prohibited chemicals listed in schedule 1, which includes the toxins sarin and soman, used in the war between Iran and Iraq, and the various mustard gases used during the first and second world wars. Some of the chemicals on the list are used by a few research organizations.

Once Bill C–87 becomes law, such users will be required to obtain a licence and be subject to two inspections per year to ensure they are following the rules.

Chemicals listed in schedule 2A and 2B may not be used to any great extent in Canada, but this has yet to be determined. Schedule 2 chemicals are used for commercial purposes and if production exceeds the listed thresholds, two yearly inspections will be required.

All substances noted on these lists will be banned for export to countries that do not participate in the chemical weapons convention.

The more commonly used industrial chemicals noted in schedule 3 can be produced without inspection under the 30 ton threshold. However, amounts exceeding 230 tons will be subject to random inspections.

Without complete data, the number of companies affected and the precise cost for implementation of the new law remains unknown. Unquestionably the disposal of chemical weapons, facilities and international verification costs to be paid by individual member countries will be expensive.

In this time of financial constraints the government must avoid creating a cumbersome bureaucracy and rather should establish a slim, trim and effective agency to inspect and monitor the chemical industry. Assumptions are that five full time staff will be required for Canada's national authority, plus one staff within the foreign affairs department.

Using Australia as an example, the bureau of statistics gathered data on chemical production relevant to the chemical weapons convention which assisted in the determination of resources required for its national authority.

(1315)

The Australian chemical weapons convention office, the chemical weapons control organization, as it is called, will be closely associated with its safeguards office, also responsible for the nuclear non–proliferation treaty. The director of the Australian safeguards office, who is directly responsible to the foreign minister, will also be the director of the new chemical weapons convention office. This allows for effective use of available senior executive and administrative support resources. There will be a director, two full time staff with part time support drawn as required from experts in other areas of government or at times from the private sector. Hopefully our government will examine the Australian model for its efficiency and application in Canada.

Although there is no binding legislation giving government authority to demand information, the Department of Foreign Affairs has attempted to collect data by initiating a survey of 2,100 Canadian businesses. About 500 companies have responded to the voluntary questionnaire. There is still no clear indication as to how many companies will be affected by the legislation. Until government has these data it will be difficult to establish projected costs for our clean–up, verification and inspection.

Bill C–87 closely adheres to the requirements of the chemical weapons convention and has the support of the Canadian Chemical Producers Association as well as the Canadian Pharmaceuticals Manufacturers Association. Officials of the Department of Foreign Affairs deserve credit for taking industry concerns into consideration during consultations over the past eight years.

Without Canada's participation in the treaty and industry support we would have difficulty competing in the international marketplace. Canadian industry imports chemicals for the production of many commercial applications and under the convention chemicals identified for control will be banned or restricted for non–participating countries. Care must be taken to ensure regulatory costs do not become so prohibitive that they force smaller industries out of business.

Additionally we should not impede industry by increasing red tape and creating a complex decision making hierarchy. Undoubtedly industry will be required to make detailed declarations of production and be subject to stringent inspections within Canada. These extra costs will have to be borne by industry as well as the Canadian taxpayer.

The international secretariat based in The Hague will police international compliance. This area was the most controversial in achieving a consensus. The general guidelines state the inspection teams are to be granted unimpeded access rights. They will verify destruction programs, inspect all military facilities and civilian plants producing chemicals which could be used for armaments in addition to carrying out routine monitoring and random checks on other civilian chemical installations.

Bill C–87, section 13(1)(c) dealing with international inspection states: ''Where appropriate, install, use and maintain in respect of any place monitoring instruments, systems and seals in a manner consistent with the provisions of the convention and any facility agreement applicable to the place''.

It would seem appropriate or necessary to institute some protection to ensure this authority for international inspections is not abused.

Section 14(1)(b) states: ''Permit the international inspector to examine anything in the place being inspected''. Section 14(1)(c) states: ''Permit the international inspector to make copies of any information contained in the records, files, papers or electronic information systems kept or used in relation to the place being inspected and to remove copies from the place''.

Further clarification and expansion would seem to be in order. Commercial espionage is a recognized reality and industry understandably fears the disclosure of valuable commercial information to competitors. Every effort must be made to ensure our national security is not put at risk. Some form of checks and balances should be put in place as under the current legislation it appears Canada would not have the right to restrict inspection teams. Reasonable management procedures should be identified and implemented so that national security is not jeopardized.

Effective implementation of the treaty's provisions will pay off in long term world security dividends. It is important these national protection issues be addressed now.

We stand at a pivotal juncture on the world stage. We can succeed or we can fail in this effort to lower the risk of inadvertent or impulsive use of chemical weapons.

(1320)

Our success in this instance will reap great benefits and assist by setting the example in the larger task of implementing co–operative approaches to problems in other areas, regionally or globally.

Mr. John Williams (St. Albert, Ref.): Mr. Speaker, it is my pleasure today to speak at second reading on Bill C–87 concerning the prohibition of chemical weapons.

The Reform Party supports the chemical weapons convention which Canada signed in 1993. We will also support this legislation allowing us to be among the first groups of countries to implement the convention's terms of agreement.

As all members of the House are well aware, Canada has been a world leader when it comes to the promotion of peace. We have given steadfast support to the UN, provided peacekeepers in times of need and promoted international agreements and regimes to limit the dangers of war.

In the case of the chemical weapons convention we are dealing with a particularly important issue. Not only is the use of chemical weapons highly illegitimate against combatants who at least have some protection against them, but the threat of their use against civilian populations is an intolerable breach of civilized conduct by any nation.

Most of us will remember with horror the terrible scenes of the Kurdish villages gassed by the Iraqi dictator Saddam Hussein in the late 1980s. This is the kind of tragedy that must be avoided at all costs in the future. By ratifying Bill C–87 Canada will be doing its part toward this end.

In the news today we see the arrest of the person in Japan allegedly responsible for the gas attack in the subway station in Japan. I hope Bill C–87 would go a long way to ensure that type of terrorist activity is never allowed on any part of the planet.

Bill C–87 prohibits the production or use of chemical weapons and provides for the regulation of certain chemicals that can readily be turned into chemical weapons. As we speak, similar pieces of legislation are being prepared throughout the world. Hopefully by this fall the convention will come into force. As things now stand, a large majority of countries have signed on, which is quite promising. The fewer countries outside of this convention, the more pressure there will be to adhere strictly to its goals and provisions.

Unfortunately several middle eastern countries are refusing to join the convention. They argue that because Israel is not willing to join the nuclear non–proliferation treaty, they cannot sign on. While I hope they will reconsider, I also hope the Government of Israel will bring its nuclear program out of the closet and join the nuclear non–proliferation treaty. The chemical weapons convention and the NNPT are agreements in the best interest of the people and governments of the world. Therefore they should not be used for tactical advantage by any government.

Moving on to the substance of the bill, while the Reform Party supports the bill, we are looking at it closely to see if there are constructive amendments that should be made to it during debate and in committee. High on the list for Reform are the costs to the taxpayer and to Canadian industry. While we acknowledge the bill has some legitimate costs, according to our preliminary investigation the government does not yet know the price tag on Bill C–87.

As Bill C–87 works its way through the legislative process, we should try to determine how best to improve it so implementation will be as cost effective as possible. For example, we must avoid the creation of a huge new bureaucracy to monitor and regulate the Canadian chemical industry.

Officials at foreign affairs have advised us that a full time staff of five as a national authority plus one additional staffer at foreign affairs might be needed. We should make sure it does not go beyond this. At any rate, during committee the question should be carefully addressed.

(1325)

Another key question for the committee will be the inspection powers used to monitor the industry. As we have seen in another government bill, Bill C–68 on gun control, the government can be very heavy handed and intrusive if it is left to its own devices. Reform wants to make sure this case is not repeated on Bill C–87.

More important, Reform has some serious concerns about the privacy of businesses which will fall under the auspices of Bill

C–87. Industries subject to inspection must fully comply with inspectors or be subject to summary conviction or conviction on indictment. Under the more serious category persons will be subject up to five years in prison and a $500,000 fine.

Considering these serious penalties, business people will be forced to comply even if they feel their legitimate rights to privacy are being violated. Under sections 14(1)(b) and (c) the inspectors can examine anything in the place being inspected and make copies of any information contained in the records, files, papers or electronic information systems kept or used in relation to the place being inspected and to remove the copies from that place.

Although I know the intent of the legislation aims to fulfil the obligations of the convention, I am slightly worried these investigations could be used as a fishing expedition by the government to sift companies through a fine tooth comb.

Parliament should be sure such inspections are required to directly investigate whether companies are breaching the chemical weapons convention. Fishing expeditions should be specifically prohibited.

Under section 15(3) the bill says search warrants would not be required even if an inspector were refused entry to a premises if there are exigent circumstances. Although the justice department likes the wording and argues it is necessary so inspectors can have a freer hand, I am not convinced. As we all know, there are no industries in Canada that currently make chemical weapons or use them. What circumstances would be so pressing that a warrant could not be obtained? If this provision is only to be used in extreme emergencies where inspectors must take immediate action it should state so explicitly. If on the other hand it is intended to be used for the convenience of inspectors it should be removed from the bill.

Section 20 reminds me of the government's gun control bill. It states every person who contravenes any provisions of this act is guilty of an offence and is liable to either an indictable or summary conviction. Once again I realize the government is casting a wide net in order to avoid loopholes. However, this means to me that a business which incorrectly reports its activities or fills out a form incorrectly would be guilty of an offence under the Criminal Code of Canada. If a clerk makes the mistake would that employee be convicted? Would the owner? What about the board of directors? Would it be the clerk's supervisor? Surely this must be cleared up.

While I do not have anything against seriously punishing a company secretly making or selling chemical weapons, I think the bill may be going too far. Just like Bill C–68, we have to target the criminals and those who are willfully breaking the chemical weapons convention, not ordinary Canadians or business people who get caught up in the government's web.

Another section which caught my attention is 23(1), which talks about how the government can at the discretion of the minister in charge dispose of items seized under this act.

(1330)

As I looked through the act, however, I did not see exactly where the government was given authority to seize property or what the limits were on that seizure. I would certainly want this point clarified in debate and during committee.

As I read through the details of the bill, I eventually came to the three schedules of chemicals that are being regulated. All prohibited chemical weapons are listed in schedule 1. According to my understanding, these chemicals are not used by any industry in Canada. However, there are a few research organizations that do require them. If Bill C–87 passes, these researchers will be required to obtain a licence from the government to continue with their activities. They will also be subject to two inspections per year to ensure that they are following the rules. A fee will be charged for this licence.

I do not have a problem with any of this, subject to the following two conditions. First, my concerns about privacy and the targeting of this legislation should be addressed to ensure that we are not whittling away at legitimate freedoms and liberties of Canadians. Second, the fee charged for this licence should be reasonable. Perhaps a maximum fee could be decided on during the committee stage or it should be made explicit that the fees would be on a cost recovery basis only.

Moving on to the chemicals in schedule 2, these are known as precursors and are one step removed from being chemical weapons. They are used for some commercial processes but not too extensively.

Companies producing or using schedule 2 chemicals in amounts beyond a certain threshold will be required to report this to the government. Beyond a second threshold, those companies will also be subject to an inspection of up to two per year maximum. While there is no licensing for schedule 2 chemicals, certain new chemicals will be added to the Export Permits Act.

In addition, three years after Bill C–87 passes, the export of schedule 2 chemicals will be banned to countries that are not signatories to the convention. Until then, importers in non–signatory countries will be required to produce end use certificates for schedule 2 chemicals.

As for the schedule 3 chemicals, these are more commonly used industrial chemicals. Companies producing schedule 3 chemicals in amounts beyond a certain threshold will be required to report this to the government. Beyond a second threshold those producers may be subject to infrequent random

inspections to ensure compliance with the convention. In addition, facilities that work with discrete organic chemicals must report this to the government.

Export of schedule 3 chemicals to non–signatory countries will require end use certificates, and after five years further measures may be imposed.

Looking at Bill C–87 as a whole, I believe Canadians will support this bill strongly. Canadians have always been strong supporters of multilateral efforts to promote peace and restrict arms proliferation. This is especially true with respect to the prohibition of the use of chemical weapons. By asserting leadership in this area, Canada is standing up for the extension of a rules based multilateral system to defend our interests and promote common norms and values with like minded countries.

In conclusion, Reform will support this bill, and throughout the legislative process we will seek to improve it. These improvements will make its implementation as pain free as possible for industry while still upholding Canada's commitments under the chemical weapons convention.

The Acting Speaker (Mr. Kilger): Is the House ready for the question?

Some hon. members: Question.

(1335)

The Acting Speaker (Mr. Kilger): The question is on the motion. Is it the pleasure of the House to adopt the motion?

Some hon. members: Agreed.

(Motion agreed to, bill read the second time and referred to committee.)

* * *

CANADIAN DAIRY COMMISSION ACT

Hon. Raymond Chan (for Minister of Agriculture and Agri–Food, Lib.) moved that Bill C–86, an act to amend the Canadian Dairy Commission Act, be read the second time and referred to committee.

Mr. Lyle Vanclief (Parliamentary Secretary to Minister of Agriculture and Agri–food, Lib.): Mr. Speaker, I rise to speak today in support of Bill C–86, an act to amend the Canadian Dairy Commission Act, and to urge speedy passage of this important bill and the amendments it brings forward to this act.

This government is strongly committed to building our vision of a growing, competitive, market oriented agriculture and agri–food sector. Canada's dairy industry is a key component of that sector. Trade and market development, both here at home and abroad, are crucial to achieving the sustainable growth necessary to allow this vision to materialize for dairy producers, processors, and further processors in the industry.

In recent years value added exports have grown steadily in importance for the dairy sector. I would like to add as well at this time that I commend those in the dairy industry for the approach and the actions they are taking in meeting the challenges that are coming forward, the competition that is there, and the way in which they are able to meet that competition and competitiveness in the export markets with the use of these amendments.

Market realities call for changes in the way dairy stakeholders do their business. It is essential to facilitate industry driven marketing approaches in the new GATT environment. With the passage of the amendments before us in this bill, we will enable the Canadian dairy sector to meet some of these new challenges. These amendments will allow for the maintenance of a successful, effective, and equitable framework for the orderly marketing of milk and other dairy products in Canada and beyond our borders, a framework developed and supported by the industry. I repeat that it has been developed and supported by the industry itself.

Bill C–86, along with this amendment, to the Canadian Dairy Commission Act was given first reading here in this place on April 28. It will provide the necessary federal legislative authority to permit the Canadian Dairy Commission, in close co–operation with the provinces, to implement a national milk pricing system with the pooling of market returns from different classes of milk and use. No cost to government is involved in these amendments.

This new strategy conforms with Canada's trade commitments under NAFTA and the WTO agreements. It will provide a mechanism for the Canadian dairy industry to continue to supply important export and domestic markets for dairy products and products containing dairy ingredients, while at the same time maintaining the equity that is inherent in the current supply management regime.

Under the Canada–U.S. free trade agreement, which has been incorporated into the North American free trade agreement, or NAFTA, as we know it, export subsidies are not permitted on bilateral trade in agricultural products. Also, under the World Trade Organization agreement, which was implemented on January 1, 1995, the definition of export subsidies includes producer–financed export assistance. Therefore, as of August 1, 1995, the current system of using producer levies to finance dairy product exports to the United States will be prohibited. The ability to use levies to finance dairy product exports to other destinations is also gradually being reduced in volume and dollar terms under the WTO agreement.

Currently, through levies, milk producers across Canada share the costs associated with the export of dairy products not required for domestic consumption.

(1340)

These levies also currently provide the funds that are needed to facilitate the payment of rebates to further processors of products containing dairy ingredients. Such rebates have been

necessary to assist further processors using dairy ingredients to successfully compete in domestic and export markets and to assist exporters of primary dairy products to be competitive on the export market.

The Canadian Dairy Commission administers these export and rebate initiatives on behalf of the dairy industry. These costs have always been considered to be a necessary part of managing the milk marketing system in Canada as a whole. The issue of equity between producers is central to the current milk marketing system in Canada and is preserved in the new pricing and pooling approach that will be enabled by this bill.

Equity is currently maintained through the payment of levies on every hectolitre of milk produced in Canada. Each province's current levy obligation is calculated by the commission on the basis of total fluid and industrial milk production. Levies are collected by provincial marketing boards and agencies through the deductions from producer milk payments and are remitted to the commission.

If Bill C–86 is not implemented by August 1, important dairy exports to the United States using producer financed levies will be in jeopardy. Furthermore, while export subsidies by levies to other destinations could continue for now, these subsidized shipments will also have to be reduced over time.

Canadian further processors, such as Hershey Limited in the nearby city of Smith Falls, De Tomasso Limited in Montreal, or McCains in New Brunswick, which use dairy inputs and products such as condensed milk, butter, and mozzarella in their chocolate and pizza products, for example, rely on U.S. exports to maintain the competitiveness of their Canadian production facilities. These companies, which employ thousands of Canadians, must continue to be able to obtain dairy ingredients at world price levels if they are to continue to successfully compete on the export market and to be competitive with the imports on the domestic market.

Pricing these dairy inputs at the producer level at U.S. competitive prices would eliminate the need for charging levies to producers and paying rebates to processors and would thus be a GATT–WTO acceptable method of maintaining this U.S. export activity. However, without the approach of pooling producer returns, which is enabled by this bill, Bill C–86, there would be no way of maintaining the producer equity that is achieved through the current levy system.

Without being able to pool returns on a national basis, milk producers in provinces where more Canadian processing and further processing activity takes place would be particularly impacted by the reduced market returns involved.

Under the amendments proposed in this bill, the levy system as it applies to milk marketed in interprovincial and export trade would be replicated through the creation of special milk classes where prices would be set at competitive market of destination levels and through pooling of the returns from those markets.

To maintain equity among producers across the country, milk revenues will be pooled and redistributed to producers through the Canadian Dairy Commission and provincial authorities according to terms agreed upon by the industry and the provincial authorities and set out in federal–provincial agreements.

In order to enable the Canadian Dairy Commission to administer such a pooling system for producers, certain federal and provincial administrative powers must be dovetailed legislatively. Most provinces currently have legislation authorizing pricing and pooling of returns on milk sold within their boundaries. The Canadian Dairy Commission requires similar pricing and pooling powers for milk sold across provincial boundaries and for exports. The commission must also be provided with the authority to both delegate and receive these new pricing and pooling powers from the provincial authorities. Such dovetailing of federal and provincial authorities does not involve any encroachment on current provincial powers.

The principal amendments to the Canadian Dairy Commission Act contained in this bill provide the commission with the legal administrative authority to calculate the average national price level for the milk classes whose returns will be pooled. Also it allows them to obtain the returns from sales to processors through the provinces and redistribute the returns to producers through provincial authorities on an equitable basis as per the terms of the formal federal–provincial agreements.

(1345)

As I indicated earlier, the same effect is now being achieved through the producer levy system which finances such initiatives as the Canadian Dairy Commission's dairy product export assistance program; the rebate program for further processors and the butterfat utilization program.

Other amendments contained in Bill C–86 enable the dairy commission to recover pooling administration costs from funds generated by the pool itself; to establish a special bank account to deal solely with the producer moneys entering and leaving the pool; allow the commission to return any excess fees or levy funds to producers; permit the commission to establish a line of credit to ensure continuity of producer payments and strengthen the enforcement provisions of the act.

The price discrimination and pooling system approach that it will enable by Bill C–86 was developed through extensive dairy

stakeholder consultation and negotiations and is supported by provincial agriculture and agri–food ministers.

I have a number of letters of support from provincial governments, milk producers, organizations and provincial boards from across the country, from Newfoundland, Prince Edward Island, Nova Scotia, New Brunswick, Quebec, Ontario, Manitoba, Saskatchewan, Alberta, B.C., the Dairy Farmers of Canada, the UPA and the Canadian Federation of Agriculture. They all support this bill and ask us to move it through this place and the other place as quickly as possible.

For the past two years stakeholders have dedicated extensive time and effort to develop a means of keeping in step with and responding successfully to all of the changes taking place in the domestic and international marketplace. Several working groups and committees, including the diary industry strategic planning committee, the negotiating subcommittee and the policy and all milk pooling committees, have all been established under the auspices of the Canadian milk supply management committee.

The committee oversees the application of a national milk marketing plan, the federal–provincial agreement which governs milk supply management in Canada. Chaired by the Canadian Dairy Commission, the Canadian milk supply management committee has representation from producers and governments from all provinces except Newfoundland, which is not a signatory to the national plan because it does not produce significant amounts of milk used in the industrial product sector. National processor and consumer groups also participate in the nationwide forum.

The federal–provincial task force on orderly marketing also reviewed the progress made by the dairy sector in defining a new framework for sustainable, orderly marketing. Last December ministers of agriculture and agri–food were advised of the industry's recommendation that national price discrimination be endorsed as the only viable option to continue current programs designed to export to the United States and maintain domestic markets facing import competition, and that the preferable method of sharing returns from price discrimination at the national level. The method that is equitable and GATT acceptable is the pooling of returns from all milk classes.

Ministers subsequently supported this approach and directed that amendments to the Canadian Dairy Commission Act be developed to provide for a national pooling of milk returns to delegated administrative functions.

The bill before us today is the culmination of this comprehensive, consultative process. Through the system enabled under Bill C–86, the dairy sector is adapting to a changing business environment. I congratulate it for doing that.

Dairy stakeholders have developed a flexible and more market oriented approach that will set the industry on a viable course for the long term. The approach will also encourage greater co–operation among provincial milk marketing boards, agencies and processors in developing new markets for Canadian dairy ingredients and products.

I urge all members and all parties in the House to give these amendments speedy consideration and passage so that we can continue to have a growing and strong dairy industry in this country.

(1350)

[*Translation*]

The Acting Speaker (Mr. Kilger): Before giving the floor to our colleague from Frontenac, I wish to advise him that the Chair will have to interrupt him to allow oral question period to proceed but that he will get to complete his speech afterwards.

Mr. Jean–Guy Chrétien (Frontenac, BQ): Thank you, Mr. Speaker, for the clarification. I will of course comply.

I would like mention right away that five of my colleagues will join me in debate on Bill C–86, a bill of major importance for Quebecers in our view. I will be supported by the hon. members for Champlain, Lotbinière, Québec–Est, Matapédia—Matane and Mégantic—Compton—Stanstead throughout the day and tomorrow, if need be, as I put across our views on Bill C–86, which, I must tell you right away, we will be supporting. We do not have any amendment to put forth at this time. I can therefore assure the hon. member for Prince Edward—Hastings of our full support.

The GATT negotiations in Geneva led dairy producers a merry dance. Negotiations concerning article XI in particular, as well as discussions about maintaining a supply management system did not give much comfort to dairy producers.

I remember attending, in December 1993, a few weeks after this government took office, a large meeting with some dairy producers from my riding. The meeting was held in Saint–Georges–de–Beauce, in the riding of the independent member for Beauce. There were between 500 and 600 farm producers in attendance, and they sounded quite worried. This meeting was chaired by the chief economist of the UPA in Quebec, Yvon Proulx, assisted by two other persons.

I must say that three questions were asked over and over by our dairy producers. The first question of particular interest to them was this: Will supply management with respect to milk be maintained?

I clearly remember the answer chief economist Proulx gave them at the time, as it left me wondering. He said something like this: ''My friends, if you want supply management, you can

have it. If you exercise self–discipline, we can have a well–disciplined dairy policy in Quebec and Canada''.

He managed to give some reassurances to the producers, who feared among other things that producers could decide overnight to increase their dairy herd, or that those running a cow–calf operation could suddenly decide to start dairy production to supplement their income.

Another matter of concern to producers was quota value. I remember one producer saying: ''I could have sold my farm for $1.5 million last fall. Will I be able to sell it for the same price with these declining quota values?'' Of course, the question remains unanswered. It was not answered in October 1993. Just this week, I read in *La terre de chez nous* an article by none other than the president of the union representing agricultural producers in the Châteauguay valley, Peter Bienz, who figured out that his dairy quota was worth hundreds of thousands of dollars and who is most interested in what will happen to the value of his quota.

(1355)

A milk quota is only a work permit, a piece of paper, a certificate which says, for example, that so–and–so has the right to produce 12,000 kilos of milk fat per year. Our agricultural producers are extremely concerned about the monetary value of this piece of paper, which is now so valuable in Quebec, because many of them see it as their pension fund. They are not like MPs who, after sitting in the House of Commons for six years and reaching the age of 55, as provided in the new bill under consideration, can receive a pension for life, which, all in all, is quite reasonable after spending six years in this House. Unfortunately for them, farmers do not enjoy the same perks. They equate their pension fund with the value of their quotas, so I hope that this value will not be slashed.

Finally, another question of concern to farm producers was the following: Will the proposed import tariffs ranging from 181 to 350 per cent remain the same?

Mr. Speaker, I see that the time is passing very quickly and, with your permission, I would like to stop now and resume my speech after Question Period.

The Speaker: Yes, my dear colleague, you may resume your speech after Question Period. You will be first.

It being 2 o'clock, pursuant to Standing Order 30(5), the House will now proceed to statements by members.

STATEMENTS BY MEMBERS

[*English*]

STREET KIDS INTERNATIONAL

Mr. Barry Campbell (St. Paul's, Lib.): Mr. Speaker, I met recently with four high school students from my riding representing Street Kids International, an organization which raises awareness about human rights abuses perpetrated against the most defenceless segment of society, our children.

[*Translation*]

During our meeting, these young students pointed out Guatemala's, Brazil's and Colombia's flagrant violations of the Convention on the Rights of the Child. For a government to order that homeless children be killed because they are seen as harmful to society is totally unacceptable to Canadians.

As a signatory to the Convention on the Rights of the Child, the Canadian government must make every effort to ensure respect for the rights of children whatever their nationality and wherever they live. It is a matter of justice and human dignity.

* * *

MINISTER OF LABOUR

Mr. Réjean Lefebvre (Champlain, BQ): Mr. Speaker, now we know what cynicism really is. After relentlessly condemning the federal government's interference in the health sector, and after strongly criticizing the national standards imposed by that same government, the Minister of Labour is now making an about face and claiming that Quebecers want national standards.

She says that the government must make sure that everyone can benefit from the social programs which give Canada its distinct character.

What irony. After defending the idea of Quebec as a distinct society, which implied the rejection of Canada–wide standards, the minister now claims to want to protect Canada's distinct society with these same standards.

This is mind boggling.

* * *

[*English*]

GUN CONTROL

Mr. Ed Harper (Simcoe Centre, Ref.): Mr. Speaker, the more Ontarians learn about the Liberal gun control bill the more they oppose it. They oppose the bill because gun registration has never proven to decrease crime. It failed in New Zealand and Australia. They oppose the bill because it contains draconian search and seizure measures like those of a totalitarian state. They oppose the bill because the consultation process was non–existent at worst and haphazard at best. They oppose the bill because it will cost between $100 million and $500 million of scarce taxpayers' money. They oppose the bill because they want real reduction in crime and not a made in Ottawa solution that will not work.

If Ontario MPs fail to represent their constituents and oppose Bill C–68, the old saying about safety in numbers will fail to apply to Ontario's voice in Ottawa.

TECHNOLOGY

Mr. Andy Scott (Fredericton—York—Sunbury, Lib.): Mr. Speaker, I rise in the House today to pay tribute to the business and professional organizations of my riding that assembled recently in an attempt to explore opportunities to enhance democracy through the use of new technologies.

I have made a personal commitment to consultation in my riding and this initiative is another step in refining the process. The brainstorming session that took place covered all areas of technology with representatives from cable, computer, software, hardware, communications and telecommunications industries.

I anticipate great things as a result of the gathering with more access available to the public policy development process and a real economic development benefit to the high tech centre of Atlantic Canada, Fredericton, New Brunswick.

I thank everyone who came out and look forward to future developments as we continue to explore technological opportunities to our mutual advantage.

* * *

RECOMBINANT BOVINE SOMATOTROPIN

Mrs. Karen Kraft Sloan (York—Simcoe, Lib.): Mr. Speaker, it is difficult to understand why rBST is needed in Canada, a country that produces dairy products of the highest international quality.

The National Dairy Council of Canada is strongly opposed to rBST. It refers to it as being an unneeded and unwanted intrusion into its business that offers no benefits whatsoever to consumers and processors.

Dairy cows injected with rBST are at greater risk of developing mastitis, a condition requiring the use of antibiotics. This will increase the dumping and waste of milk and potentially can lead to increased levels of antibiotic residues in milk for antibiotics that escape current detection methods.

Some researchers are concerned with the possible link between rBST and human health risks. I urge Health Canada to extend the moratorium on rBST. By waiting until conclusive independent studies have been completed Health Canada will have protected the health of Canadians.

* * *

RESEARCH IN MOTION

Mr. Andrew Telegdi (Waterloo, Lib.): Mr. Speaker, I am pleased to inform the House of the Canadian Advanced Technology Association 1995 Award of Distinction being awarded to Research in Motion of Waterloo.

The CATA award for outstanding product achievement was presented to RIM in recognition of its exceptional contribution to the growth and competitiveness of Canada's advanced technology industry. The award was presented to RIM at the Global Connections Conference on May 3 to May 5, 1995 in Calgary.

Research in Motion represents the best that Canada has to offer in the new economy. RIM is a 100 per cent Canadian owned, export oriented, high technology company operating in the wireless data communications sector.

RIM's CATA award is the second award given to a Waterloo company in as many years. Mortice Kerns Systems won the 1994 award for its Internet anywhere software which eases access to the Internet.

The federal riding of Waterloo is in the heart of Canada's technology triangle and is a critical mass for technological innovation. Research in Motion is to be congratulated for its achievements as a leading edge Canadian company competing in a global stadium and bringing home the gold.

* * *

[*Translation*]

PROGRAM FOR OLDER WORKER ADJUSTMENT

Mr. Benoît Sauvageau (Terrebonne, BQ): Mr. Speaker, while Ottawa keeps procrastinating regarding the Program for Older Worker Adjustment, the Quebec government is taking concrete action. Yesterday, Quebec labour minister, Louise Harel, announced that her department would help older workers who are victims of mass layoffs but are not eligible to POWA.

For five years now, the Quebec government has been asking that the program be amended, since many older workers are not eligible because of criteria which are too restrictive. When they were in opposition, the federal Liberals strongly supported Quebec's claims. However, now that they are in office, they are not following up on their stance.

Once again, to ensure fair treatment to all Quebecers, the provincial government is forced to go ahead without federal financial support, in spite of the fact that Quebecers pay close to $30 billion in taxes every year.

* * *

[*English*]

TRANS–CANADA HIGHWAY

Mr. Lee Morrison (Swift Current—Maple Creek—Assiniboia, Ref.): Mr. Speaker, in the prairie provinces 113 kilometres of Trans–Canada Highway from Gull Lake, Saskatchewan, to the Alberta border is still two lanes. In the last 15 years that

stretch of winding hilly goat paths has claimed 23 lives and 320 people have been injured.

Twinning would cost $35 million. Last fall Saskatchewan had its money on the table but Transport Canada would not pony up its share.

(1405)

Each year the federal government collects $5 billion in road fuel taxes and puts only 10 per cent of it back into the national highway system. There seems to be no limit to funds for hockey rinks, swimming pools and silly bureaucratic projects like universal firearms registration but nothing for this long overdue investment in essential infrastructure, an investment that would save lives.

Priorities, boys and girls, priorities.

* * *

BILL C–72

Mr. Rex Crawford (Kent, Lib.): Mr. Speaker, once again Henri Daviault, the man charged with sexual assault of an elderly disabled woman, was acquitted by using drunkenness as a defence.

After consuming an enormous amount of alcohol this man dragged the victim out of her wheelchair and sexually assaulted her. Despite the fact that the crime was committed, the courts determined that Mr. Daviault was too drunk to know what he was doing.

His acquittal has rightfully angered many Canadians. I have received a petition of several hundred names from the Sexual assault crisis centre of Chatham–Kent. Every signature demonstrates the frustration with the justice system and proves that Bill C–72 is needed and applauded by many.

Each time Mr. Daviault was acquitted of this hideous crime the dissenting judges commented that Parliament was free to deal with the matter of intoxication and criminal fault. That is exactly what the government is doing.

I rise in support of the bill and hope its passage will help in strengthening our justice system.

* * *

PROFESSIONAL WOMEN'S NETWORK

Ms. Jean Augustine (Etobicoke—Lakeshore, Lib.): Mr. Speaker, in Etobicoke—Lakeshore many women from diverse business backgrounds have come together to establish a network to help women in business.

The Professional Women's Network will provide a much needed forum for local business development and for the needs of professional and business women. These women representing a broad representation of professions will meet regularly to exchange ideas, share information, and work together to create opportunities for each other and for our community.

The growing prominence of women in professions and other sectors has proven to be a major factor in Canada's future growth, and the Professional Women's Network in Etobicoke—Lakeshore is testament to that fact.

The Liberal government recognizes the women of Canada have the imagination and determination to participate fully in the growing world economy. I support, commend and encourage the ingenuity of these and all women across Canada.

* * *

ONTARIO ELECTION

Mr. Brent St. Denis (Algoma, Lib.): Mr. Speaker, as we all know, Ontario voters will soon elect a new provincial government. By most accounts it will be a Lyn McLeod led Liberal government. I say it is about time.

Soon after the campaign started the Lyn McLeod Liberals released their plan to get Ontario back on track. York University economist Fred Lazar said:

> I have had a chance to review the assumptions and the numbers in the Liberal balanced budget plan. This plan to balance Ontario's budget in four years while providing stable multi–year funding to the transfer partners in health, education and the municipalities is a realistic doable approach to re–establishing fiscal responsibility in Ontario. A balanced budget is key to creating a healthy economic climate that will in turn stimulate investment and bring jobs to Ontario.
>
> Only a plan that aims to balance a budget within the term of a government can be considered to be a balanced budget plan.

Ontario needs a new provincial government; it needs a Liberal government led by Lyn McLeod.

* * *

[*Translation*]

HUMAN RIGHTS

Mr. Nic Leblanc (Longueuil, BQ): Mr. Speaker, the Minister of Foreign Affairs has announced that Canada is preparing to start trading with certain countries regardless of their human rights violations. According to the Prime Minister and the Minister of Foreign Affairs, the liberalization of trade is the best means of promoting the respect of human rights.

These words will be of no comfort to those on death row in Indonesia, China, Saudi Arabia, Burma and Iraq. The most ironic thing about the whole situation is that the Liberal government, with the Prime Minister showing the way, is so happy with this development that it is actually bragging about it. Money has no smell. As for the Liberal government, it has no scruples. It has traded them in for several million greenbacks.

[*English*]

HUMAN RESOURCES DEVELOPMENT

Mr. Garry Breitkreuz (Yorkton—Melville, Ref.): Mr. Speaker, the Minister of Human Resources Development cannot even get a piece of legislation past his own cabinet colleagues.

(1410)

Every day another article appears stating that the grand schemes proposed by the minister last year have been scrapped. His own discussion papers on unemployment insurance state that 26 per cent of UI claimants have filed four or more claims in the last five years. First he says this is a serious problem that needs to be addressed, and now he is saying it is not a problem and does not need to be addressed. The minister just cannot seem to make up his mind.

Today the minister is reported to have said that the social reform proposals have had to take a backseat to cutting the federal deficit. Reducing the number of repeat users of unemployment insurance would help cut the federal deficit, and still he will not implement the needed reforms.

If the minister cannot make the tough decisions, he should turn the administration of UI over to the workers and the employers who pay the premiums. The minister flails and fails again.

* * *

[*Translation*]

WORLD KITE FESTIVAL

Mr. Raymond Lavigne (Verdun—Saint–Paul, Lib.): Mr. Speaker, when I think of kites, I think of the sheets of newspaper which children used to glue to slats of wood and then try to send up into the sky. Recently, my eyes, and those of hundreds of thousands of other people, were opened.

In 1993, the municipality of Verdun inaugurated the world kite festival. Since then, some 20 countries have begun coming to the event in Verdun to compete and to show off their talent. Each year during the festival, the sky is filled with kites of all colours and of all imaginable forms. Last year, the festival won Quebec's award for tourism—the Meritas prize.

I invite all of you, and your families, to come to the world kite festival which will be held in my beautiful riding of Verdun—Saint–Paul from June 1 to June 4. We promise you a good time and a show that you will not easily forget.

S. O. 31

QUEBEC FINANCE MINISTER'S BUDGET

Mr. Denis Paradis (Brome—Missisquoi, Lib.): Mr. Speaker, with or without sovereignty, taxes will go up next year, said Jean Campeau, according to today's headline in *La Presse*.

Quebecers do not want taxes to go up, no matter who collects them. They want a responsible finance minister, someone who, like his federal counterpart and those in several provinces across Canada, works hard to reduce spending and the deficit without raising taxes.

The Canadian government has reviewed all government programs and proposed measures to reduce spending and the deficit. Its approach was logical, involving a great deal of consultation and skill and none of this rushing around to close down hospitals, for instance.

Quebec's budget is important to all Quebecers. The Government of Quebec should be less independent and listen to Quebecers.

* * *

[*English*]

NIAGARA DISTRICT AIRPORT

Mr. Walt Lastewka (St. Catharines, Lib.): Mr. Speaker, two weeks ago the member of Parliament for Niagara Falls and I attended a ceremony initiating the transfer of the Niagara District Airport from the federal government to local authorities.

Local authorities in St. Catharines, Thorold, Niagara Falls and Niagara–on–the–Lake have been working together toward the transfer for quite some time. The national airports policy announced by the transport minister last summer provided a perfect opportunity to make the transfer a reality.

Local control of the airport will provide a more hands on approach where local stakeholders can be directly involved in airport responsibilities. The transfer will enable the airport to run in a cost effective and competitive manner and be better equipped to respond quickly to local commercial opportunities.

We thank the Minister of Transport and his officials for a smooth transition.

* * *

ABORIGINAL RIGHTS

Mr. Jay Hill (Prince George—Peace River, Ref.): Mr. Speaker, the minister of Indian affairs will soon table a policy on inherent right to self–government. This is a significant departure from past government policies.

Despite red book promises to consult with aboriginal peoples on the inherent rights policy, we now see Indian and Metis

leaders demanding that the minister go public with his document. I agree. All Canadians have a right to know what the minister is contemplating. This will affect future political relations between aboriginal and non–aboriginal Canadians forever.

The Minister of Justice has shown he does not understand what consultation means with his gun bill. Now we hear that the minister of Indian affairs is imitating his colleague and has a secret draft policy that may also have considerable constitutional ramifications. Native leaders do not think they have been adequately consulted, let alone the rest of the Canadian people.

While meeting the needs of aboriginal communities I believe any inherent rights policy must respect the principle of equality for all Canadians.

ORAL QUESTION PERIOD

(1415)

[*Translation*]

INTERGOVERNMENTAL AFFAIRS

Hon. Lucien Bouchard (Leader of the Opposition, BQ): Mr. Speaker, at a meeting with his Quebec counterpart who came to Ottawa with three bills for a total amount of $333 million, the Minister of Intergovernmental Affairs once again refused to meet his financial commitments. The minister even told Quebec, in no uncertain terms, to take the matter to court.

My question is directed to the Prime Minister. Are we to understand from the arrogant reply of his intergovernmental affairs minister that this is the new flexible federalism: asking Quebec to sue for payment of accounts in arrears?

Right Hon. Jean Chrétien (Prime Minister, Lib.): Mr. Speaker, I think the reply the Minister of Intergovernmental Affairs gave yesterday was quite satisfactory. One aspect of the problem is being checked by the auditor general. Another aspect is being checked again. If there were any mistakes, we can correct them, but for the time being, we have no information to that effect.

As for the third matter, when determining payments to the provinces, the Minister of Finance does this according to formulas that are in the legislation. There is no flexibility, and if someone thinks the law was not interpreted as it should be, then that person should, and there are precedents for this, ask the courts to intervene.

Hon. Lucien Bouchard (Leader of the Opposition, BQ): Mr. Speaker, this is the same kind of answer we got for months to requests for reimbursement of referendum costs.

Mr. Loubier: Exactly the same.

Mr. Bouchard: Ottawa has been particularly stubborn in the case of the cost of educating young aboriginal people, which amounted to $119 million, payment of which has been outstanding for eight years. As you know, this amount is payable under the James Bay Agreement signed by Ottawa in 1968.

I want to ask the Prime Minister to explain why, considering these delays and dilatory measures, the only offer he will let his minister make to his Quebec counterpart is to appoint a new committee of officials that will conduct more meetings.

Hon. Marcel Massé (President of the Queen's Privy Council for Canada, Minister of Intergovernmental Affairs and Minister responsible for Public Service Renewal, Lib.): Mr. Speaker, the James Bay Agreement contains a section indicating the province and the federal government must agree on budgets and their content.

In this case, the Province of Quebec refused to fulfil its part of the agreement. It did not give the federal government a chance to check assets and the number of non–natives among the student population. Consequently, we had no way of knowing what the federal government's share actually was.

During that time we paid $464 million for aboriginal education. During that time, and in fact quite recently, we offered to review the matter with the Quebec government in an attempt to clear up this problem, and the ball is now in the court of the Parti Quebecois.

Hon. Lucien Bouchard (Leader of the Opposition, BQ): Mr. Speaker, if the minister wanted to know more about the case, he could talk to his colleague, the Minister of Labour, who used to be the Minister of Education responsible for this matter in Quebec City and as such filed claims that have gone unpaid for years.

Mr. Loubier: Times have changed. She sold out.

Mr. Bouchard: Mr. Speaker, it is not true that the Government of Quebec refused to provide the information. The fact is, more young aboriginal people are getting an education as a result of social measures introduced by the Quebec government, and the federal government, which finds this surprising, refuses to acknowledge this development.

Mr. Loubier: Yes, tell it like it is.

Mr. Bouchard: My question is directed to the Prime Minister. Since the Quebec minister suggested to her federal counterpart that they leave their officials at home and sit down like two reasonable people and deal with the issue face to face, could the Prime Minister instruct his minister to sit down and negotiate and settle this immediately?

Hon. Marcel Massé (President of the Queen's Privy Council for Canada, Minister of Intergovernmental Affairs and Minister responsible for Public Service Renewal, Lib.): Mr. Speaker, it is clear that both the Province of Quebec and the federal government will have to review the case and again

establish what the facts are. It is clear the Province of Quebec must co–operate and give us the information.

In this particular case, the federal government made it clear that it was ready to negotiate, but the Quebec government has yet to provide the necessary information.

* * *

(1420)

HUMAN RESOURCES INVESTMENT FUND

Mrs. Francine Lalonde (Mercier, BQ): Mr. Speaker, my question is for the Prime Minister.

Bill C–76, which implements provisions of the budget, contains no provision on the human resources investment fund announced in the budget. The latest ministerial overview, an official document of the Department of Human Resources Development, indicates this fund will have a budget of more than $4 billion, at least $2 billion of which come from the unemployment insurance fund.

Would the Prime Minister confirm that the human resources investment fund will have a budget of $4 billion, financed in large part by the unemployment insurance fund, to enable it to interfere further with new manpower training, income supplement and day care service initiatives?

[*English*]

Hon. Lloyd Axworthy (Minister of Human Resources Development and Minister of Western Economic Diversification, Lib.): Mr. Speaker, it is becoming more and more frequent for the hon. member to confuse numbers. I would not suggest she is doing it deliberately.

The hon. member knows quite well it has been explained that the human resource investment fund has a way of consolidating a number of existing expenditures so we can begin to provide a much more effective delivery in a decentralized community way. It gives our employment centres much more discretion, much more accountability to make decisions at the local level, working in partnership with their counterparts at the provincial, municipal and community levels.

To again try to elevate it into another wild attack about interventionism misses the whole point. It is really designed to give a lot more control in the local and regional community to make decisions about how to get back to work.

[*Translation*]

Mrs. Francine Lalonde (Mercier, BQ): Mr. Speaker, the central government does not have jurisdiction in these areas.

Are we to understand that, with this human resources investment fund, the minister is attempting to carry out the reform of social programs he has been unable to finalize up to now because of nationwide condemnation, and that, far from responding to the demands of Quebec, he intends to intervene further, thus adding to existing waste and muddle in the area of manpower training?

[*English*]

Hon. Lloyd Axworthy (Minister of Human Resources Development and Minister of Western Economic Diversification, Lib.): Mr. Speaker, almost a year ago I made a specific set of offers to all the provinces to share a number of our manpower programs. We would turn over institutional training and invite the provinces to join with us in the planning of programs we have in common and that we would transfer existing programs.

[*Translation*]

Mr. Speaker, to date the Government of Quebec has not given an answer.

* * *

[*English*]

NATIONAL DEFENCE

Mr. Preston Manning (Calgary Southwest, Ref.): Mr. Speaker, on April 24, the director general of public affairs for national defence, Ruth Cardinal, addressed a meeting of the Media Club of Canada. She emphasized that she would tell them what is really happening in the military.

Ms. Cardinal went on to imply that the suicide rate in the armed forces was acceptable because we get our recruits from the most susceptible portion of the population and that the airborne videos came from ex–soldiers who needed cash because they had blown their pay cheques on Camaros. These are remarkable statements to be made by the defence department's senior mouthpiece.

Does the Minister of National Defence agree that these comments are completely inappropriate, and does he still have full confidence in his director general of public affairs?

Hon. David M. Collenette (Minister of National Defence and Minister of Veterans Affairs, Lib.): Mr. Speaker, certainly the comments that have been publicized on television and have come to my attention are disturbing. It is a matter that the deputy minister of national defence is looking into at the moment.

Mr. Preston Manning (Calgary Southwest, Ref.): Mr. Speaker, Ms. Cardinal was hired for her present position by Bob Fowler, the former deputy minister of defence, who has been under investigation by the Somalia inquiry.

In her speech to the Media Club she went out of her way to discredit one of the principal critics of what went on in Somalia, Dr. Barry Armstrong, saying that his story did not have credence and that he had been proven wrong by an independent group of investigators. The validity of Dr. Armstrong's testimony is to be independently judged by the Somalia inquiry, not prejudged by a DND spin doctor hired by Bob Fowler.

(1425)

Why does the Minister of National Defence allow his director general of public affairs to make any public statements on the Somalia inquiry when she has a potential conflict of interest with respect to the issues and the individuals to be judged by that inquiry?

Hon. David M. Collenette (Minister of National Defence and Minister of Veterans Affairs, Lib.): Mr. Speaker, I agreed with that very point when it was raised last Friday. Any employee of the Department of National Defence should be very cautious in what he or she says, publicly or privately, with respect to matters which are now before the commission. We do not want anything to be said by anyone in a position of authority to give the impression that there would be some kind of prejudicing of the inquiry.

I also note that the individual in question, the director general of public affairs, won a public service competition for the post.

Mr. Preston Manning (Calgary Southwest, Ref.): Mr. Speaker, what is really at issue is the minister's ability or inability to manage his department. The minister was the last to know about the airborne videos. He was the last to know about the high suicide rate at Valcartier. Now we have the department's senior mouthpiece attempting to bias media coverage of the Somalia inquiry in direct disregard of the minister's gag order concerning that inquiry.

When will the Minister of National Defence start to exercise the leadership of his department which Canadians deserve and expect?

Hon. David M. Collenette (Minister of National Defence and Minister of Veterans Affairs, Lib.): Mr. Speaker, if there was ever a rhetorical question that was it. Considering the amount of controversy we have had in the last year and a half, I feel quite comfortable in the leadership I have given to the department.

Some hon. members: Hear, hear.

Mr. Collenette: However, I will let other Canadians be the judge of that.

I would like to repeat that the comments which have been brought to my attention are disturbing. They are being looked at by the deputy minister. As to any action that may be taken, I will have to inform the House at a later date.

* * *

[*Translation*]

AGUSTA

Mr. Jean–Paul Marchand (Québec–Est, BQ): Mr. Speaker, my question is for the Prime Minister. The government is preparing to compensate the firm Agusta. After cancelling the contract to purchase nearly $6 billion worth of EH–101 helicopters, the Prime Minister stated, a few days after his election, and I quote:

[*English*]

''The program is cancelled and there isn't any compensation for anybody''.

[*Translation*]

His Minister of Public Works reaffirmed yesterday the government's intention to conclude an agreement with Agusta.

How can the Prime Minister allow his government to pay compensation to Agusta from public funds, without any investigation into this $6 billion contract to purchase EH–101 helicopters, when Agusta is currently facing charges of corruption and influence peddling in Italy and Belgium?

[*English*]

Hon. David Dingwall (Minister of Public Works and Government Services and Minister for the Atlantic Canada Opportunities Agency, Lib.): Mr. Speaker, this is the third or fourth time that members of the opposition have raised this issue. Unfortunately I am going to have to give the same answer to the hon. member.

The hon. member is making reference to ''no compensation for anybody'', a phrase which was used by the Prime Minister. However the Prime Minister went on to promise that his ministers involved in those talks would ensure that we ''pay not a cent more than we are absolutely required to pay''.

What we are doing under the contract which we signed with that company is paying termination costs, which every government must pay. That is not pay for future work, that is payment for work which has been completed or which was being completed upon termination.

[*Translation*]

Mr. Jean–Paul Marchand (Québec–Est, BQ): Mr. Speaker, the government is clearly going to compensate Agusta. Therefore, if he will not refuse to compensate Agusta without an investigation first, will the Prime Minister at least guarantee, unlike his Minister of Public Works yesterday, that no new contracts for the purchase of helicopters are awarded to Agusta as a form of compensation for the cancellation of the first contract?

(1430)

Right Hon. Jean Chrétien (Prime Minister, Lib.): Mr. Speaker, what the minister has just said is correct. I have said it and I repeat it: the government has a contractual obligation for expenses incurred up to that point, which we must fulfil. There will, however, be no compensation for loss of profit or for future work.

If we eventually have to buy new helicopters, no preference will be given to anybody. We will follow the usual procedures in order to obtain the best product at the best price.

* * *

[*English*]

NATIONAL DEFENCE

Mr. Jim Hart (Okanagan—Similkameen—Merritt, Ref.): Mr. Speaker, my question is for the Minister of National Defence.

The director general of public affairs, Ms. Cardinal, has left the perception that her comments to the Media Club represent the views of the Department of National Defence senior management team. The problem is greater than one person's irresponsible comments and points to the leadership culture at the Department of National Defence which shows ignorance of Canada's frontline soldiers. There is no respect for the minister's authority at the senior management level at DND.

What does the minister intend to do to gain control over his department?

Hon. David M. Collenette (Minister of National Defence and Minister of Veterans Affairs, Lib.): Mr. Speaker, on the specific allegation the hon. member raised, I answered that question Friday. I answered it yesterday and I answered it again today.

Some disturbing comments have come to light as a result of a speech given by the director general of public affairs. The deputy minister is looking into it. If I have any further announcement on any action that may be taken, it will be made to the House in due course.

Mr. Jim Hart (Okanagan—Similkameen—Merritt, Ref.): Mr. Speaker, surely the minister must understand it is all well and good that the deputy minister is looking into it but the Minister of National Defence is responsible for this.

The problem is deeper than Ms. Cardinal's speech. These are the views of senior management at DND. The director general of public affairs does not speak off the record. She is responsible for disseminating national defence positions and policies.

What action will the minister take with respect to his supervision with his entire senior management team at DND?

Hon. David M. Collenette (Minister of National Defence and Minister of Veterans Affairs, Lib.): Mr. Speaker, the fact that the deputy minister will be looking into this shows that there will be some action taken.

[*Translation*]

AUDITOR GENERAL'S REPORT

Mr. René Laurin (Joliette, BQ): Mr. Speaker, my question is for the President of the Treasury Board.

All federal public servants have had their wages frozen for several years. In his latest report, the auditor general reveals that, since 1993, diplomats have been allowed to cash in their plane tickets to and from Ottawa to pay for vacations anywhere in the world, without even having to submit vouchers.

How does the President of the Treasury Board justify this 1993 directive, which nets Canadian diplomats posted overseas $8.4 million a year, or about $5,000 tax free per person?

Hon. André Ouellet (Minister of Foreign Affairs, Lib.): Mr. Speaker, the hon. member should understand that the auditor general's criticisms had to do with a former procedure that has since been completely corrected.

Mr. René Laurin (Joliette, BQ): Mr. Speaker, despite the reduction in the number of diplomats posted overseas, the total cost of their vacations, paid for by taxpayers, continues to increase at the rate of 9 per cent a year.

Can the President of the Treasury Board tell us why public officials posted overseas can enjoy all–expenses–paid vacations in an era of budget cuts?

Hon. André Ouellet (Minister of Foreign Affairs, Lib.): Mr. Speaker, I would have appreciated it if the hon. member had at least listened to the answer I gave him. He refers to a situation that no longer exists. I cannot understand why he continues to claim that we give preferential treatment to some public officials when this practice has stopped.

* * *

(1435)

[*English*]

ETHICS COUNSELLOR

Mr. Ken Epp (Elk Island, Ref.): Mr. Speaker, my question is for the Prime Minister.

The auditor general's report reveals that an astonishing 58 per cent of public servants are unaware of the federal government's conflict of interest policy. The auditor general also noted that the best conflict of interest guidelines are useless without leadership from the top, the cabinet.

When will the Prime Minister take the initiative to lead by example and prove that he has nothing to hide by appointing an independent ethics counsellor?

Right Hon. Jean Chrétien (Prime Minister, Lib.): Mr. Speaker, there are some very strict guidelines for conflict of interest for everyone in the ministry and in the public service. The senior people in the departments are responsible for those guidelines. There is an ethics counsellor who is consulted on any problem and he reports to me. I am responsible to Parliament for any and all mistakes made and I have never run away from my responsibilities.

Mr. Ken Epp (Elk Island, Ref.): Mr. Speaker, the fact is that the ethics counsellor has given an investigation on very, very few matters of substantive importance.

The Liberal red ink book promises an independent ethics counsellor. The Reform Party has repeatedly called for an independent ethics counsellor. Seven of ten provinces have independent persons in this role. Now Gregory Evans, the independent conflict of interest commissioner in Ontario, is calling on the federal government to appoint an independent ethics counsellor.

What is the government hiding? Why does the Prime Minister insist on keeping the ethics counsellor totally accountable to him?

Right Hon. Jean Chrétien (Prime Minister, Lib.): Mr. Speaker, the ethics counsellor will be invited to meet with a committee of this House if required. However, in his daily operations he has to be responsible to somebody so he is responsible to us. One of the reasons we have acted this way is because we did not want to have a multiplication of jobs. He has other responsibilities and we gave him this new responsibility. He is doing a good job.

In the end, no Prime Minister can get up in the House and say he is not responsible and that somebody else is. In this parliamentary system the government is responsible and the head of the government is responsible for the actions of all the government in front of this House, nobody else.

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[*Translation*]

TAINTED BLOOD

Mrs. Pauline Picard (Drummond, BQ): Mr. Speaker, my question is for the Minister of Justice.

The Minister of Health has refused to take a clear and definite stand on the need to press criminal charges, once the Krever inquiry is over, against those individuals whose carelessness caused the death of hundreds of men, women and children.

Since the Minister of Health failed to take a stand on this issue, does the Minister of Justice undertake to see that justice is served and that, once the Krever inquiry is over, charges are laid against those whose behaviour caused the death of hundreds of haemophiliacs?

Hon. Diane Marleau (Minister of Health, Lib.): Mr. Speaker, this is really an insulting question, considering how much the government is spending to get to the bottom of this, by holding a judicial inquiry. Before we can take position on the inquiry, we have to wait for its findings.

Mrs. Pauline Picard (Drummond, BQ): Mr. Speaker, my supplementary is for the Minister of Justice.

Will the minister admit that the information disclosed to the Krever commission so far is sufficiently incriminating to justify pressing criminal charges against those individuals whose irresponsible behaviour led to the tainted blood tragedy?

[*English*]

Hon. Allan Rock (Minister of Justice and Attorney General of Canada, Lib.): Mr. Speaker, however one might characterize the evidence before the Krever inquiry with respect to alleged wrongdoing, in the final analysis the decision whether to proceed with criminal prosecution is up to the provincial authorities. In the circumstances, since it is not a matter for the federal government to initiate, it would not be appropriate for me to comment on the strength of any such suggested charges.

* * *

(1440)

FISHERIES

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

Mr. Abbott: Another surprise.

Some hon. members: Oh, oh.

Mr. Culbert: Mr. Speaker, the alligators are restless this afternoon.

The minister's department has proposed the professionalization of the fishing industry and an increase in licensing fees. My Bay of Fundy fishers depend on a multi–licence fishery to sustain their economy. They are concerned with these proposals.

Will the minister confirm in the House today that his department will seek advice and guidance from the fishing community and industry organizations before proceeding with these initiatives?

Hon. Brian Tobin (Minister of Fisheries and Oceans, Lib.): Mr. Speaker, I want to thank the member for his question. Of course, with 31 of the 32 members from Atlantic Canada on this side of the House aware that the fishery is not finished, proper consultation is the order of the day in terms of dealing with the fishermen of Atlantic Canada.

I want to assure the member and all members from Atlantic Canada, including the one on that side of the House, that when it comes to any new fee structure, cost recovery structure or professionalization structure within the fishery in Atlantic Canada, consultations will begin in the region with the fish-

ermen themselves. The process will be driven from the ground up, not from the top down. The process will start at the end of this month.

* * *

HIGHWAYS

Mr. Randy White (Fraser Valley West, Ref.): Mr. Speaker, I am not sure Atlantic Canada can afford 31 members on that side of the House.

For instance, the ethical high ground is nowhere to be found on the death valley highway of Wentworth Bypass in Nova Scotia. The mayor of Amherst says if this case was not found to be legally wrong, ''I would certainly consider it morally wrong''. This boondoggle will cost some companies upward of $400,000 annually, just so the minister of public works can buy some boats in his riding.

Since the questions of morality, fairness and ethics are being raised not only by the Reform Party but indeed by the people who live and some people who have died on this treacherous stretch of the highway, even some guy from the fifth party—

Some hon. members: Oh, oh.

The Speaker: Colleagues, I would encourage all of us to not personalize our remarks. I would ask the hon. member to please come to his question.

Mr. White (Fraser Valley West): My question is for the Prime Minister. Will the Prime Minister admit now that the only way to clear this up is to assign the ethics counsellor to investigate this issue and report back to this House?

Hon. Douglas Young (Minister of Transport, Lib.): Mr. Speaker, it is always edifying to all members of the House to have the hon. member report on the voices he has been listening to.

Some hon. members: Oh, oh.

Mr. Young: The question raised by the hon. member has been raised on a number of occasions. I want to repeat that the decisions with respect to highway construction in the provinces are the responsibility of the provinces.

The minister of transportation for the province of Nova Scotia approached us. He asked us if we were prepared to review the arrangements with the province of Nova Scotia with respect to allocations of federal funds for highway construction. We did that.

We have done the same thing with others. As a matter of fact, this week I met with the minister of transportation for Newfoundland to do exactly the same thing. We have done the same thing in Prince Edward Island. We have done the same thing in New Brunswick. We will do the same thing in any province in the country because we want to be flexible. We want to try to accommodate provinces that have the responsibility for deciding where highways are constructed within their jurisdiction.

Mr. Randy White (Fraser Valley West, Ref.): Mr. Speaker, it is strange that the Liberals stand up and justify it when the auditor general of Nova Scotia is critcizing them for it.

The Prime Minister just said he never runs away from his responsibilities. I would like to ask him this question. I would like to know why he steadfastly refuses to let his ethics lapdog look into anything that may be potentially—

Some hon. members: Oh, oh.

(1445)

The Speaker: I am sure we sometimes get carried away in our questions. I wonder if the hon. member would consider withdrawing the word ''lapdog'' at this juncture. I find it a little offensive.

Mr. White (Fraser Valley West): Mr. Speaker, I suppose I will withdraw that. I would still like the answer to my question.

The Speaker: I put it to the hon. member: Would he please simply withdraw the word ''lapdog'', yes or no?

Mr. White (Fraser Valley West): Yes, Mr. Speaker.

Right Hon. Jean Chrétien (Prime Minister, Lib.): Mr. Speaker, I am very surprised at what they used to call the new way of doing politics.

Some hon. members: Hear, hear.

Mr. Chrétien (Saint–Maurice): Mr. Speaker, I have to tell members that the answer given by the Minister of Transport was very clear. We do indeed respect the provincial jurisdictions.

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[*Translation*]

BOVINE SOMATOTROPIN

Mr. Jean–Guy Chrétien (Frontenac, BQ): Mr. Speaker, my question is for the Minister of Agriculture. On May 13, the daily *La Presse* reported that several dairy producers were illegally using the growth hormone somatotropin, which they import from the U.S. Most of the stakeholders, including the Quebec federation of dairy producers, recognize that this is common practice.

Can the Minister of Agriculture tell us which concrete measure he took to ensure that dairy producers comply with the moratorium in effect?

[*English*]

Hon. Ralph E. Goodale (Minister of Agriculture and Agri–Food, Lib.): Mr. Speaker, I am glad for the last part of the

hon. member's question, which would tend to indicate that the manufacturers of the product who have agreed to the moratorium are complying with the moratorium.

The questions that have been raised in the press appear to relate not to the companies but to the potentially unauthorized use of this product by certain individuals. Since those news stories have arisen in the last several days, I have asked my officials to investigate those allegations to determine whether or not any rules, regulations, or laws of the Government of Canada are being violated in any way. When I have their report on their investigation, I will be happy to share that with the hon. gentleman.

[*Translation*]

Mr. Jean–Guy Chrétien (Frontenac, BQ): Mr. Speaker, will the Minister of Agriculture recognize that his moratorium is totally useless, since there is no control over the destination and use of somatotropin once it has gone through Customs at the border, thus creating a situation which could bring a very promising Canadian industry into disrepute?

[*English*]

Hon. Ralph E. Goodale (Minister of Agriculture and Agri–Food, Lib.): As the hon. gentleman knows, under the existing law of Canada, unless and until the Department of Health has issued a notice of compliance—which has not occurred to date, because the Department of Health is still examining the issue and has not come to a decision—and comes to a decision that is favourable and notice of compliance is issued in due course, then the sale of rBST in Canada is illegal. We have undertaken to investigate allegations of its use presently unauthorized in Canada. We will report the findings of the investigation when they are available.

(1450)

I want to assure the hon. gentlemen that I and many members on the government side share his concern about the health and strength of the Canadian dairy industry. We are anxious to do everything we can.

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CHILD–PROOF LIGHTERS

Mr. Rey D. Pagtakhan (Winnipeg North, Lib.): Mr. Speaker, my question is for the Minister of Health.

The 75–day allotted period for public comment on the draft regulations requiring cigarette lighters to be equipped with child–resistant safety locks has been complied with following publication in part I of the *Canada Gazette*. Canadians applaud this government initiative.

When will the new regulations come into force? And can the minister assure Canadians that retailers will have to remove from their shelves at that time, not one day later, all remaining cigarette lighters that are a danger to children?

Hon. Diane Marleau (Minister of Health, Lib.): Mr. Speaker, the regulations banning non–child–proof disposable lighters will come into effect in the middle of June. Yes, not one day's grace will be given to any retailer in terms of the disposal of these unsafe lighters.

It is a pity that the regulatory process has taken so much time to come forward and bring in the regulations. In the time it has taken, already more children have lost their lives. I would ask the retailers, as much as possible, to get rid of those particular lighters today, because as of the middle of June they will be illegal.

* * *

CONTRACTING GUIDELINES

Mr. Chuck Strahl (Fraser Valley East, Ref.): Mr. Speaker, Parkins communication recently won a media monitoring contract worth $15,000 a month from Canada Communications Group. Yet the company failed to meet the mandatory requirements for the contract, including demonstrated experience, quality control, or an office in the capital region. They did not even have a listed telephone number.

The contract was issued mainly because Parkins agreed to hire contract workers from CCG, the very firm that awarded the contract. That is an obvious conflict of interest.

Why has the government chosen to ignore its own contracting guidelines in awarding this contract?

Hon. David Dingwall (Minister of Public Works and Government Services and Minister for the Atlantic Canada Opportunities Agency, Lib.): Mr. Speaker, yes, the hon. member is quite correct. A contract was awarded on January 24, 1995. The hon. member forgot to tell the House that six proposals were received and this one was selected.

We did have a file review by an internal audit group. The review indicated there were no irregularities in the contracting process. I would suggest that if the hon. member has evidence to the contrary he should share the evidence with members of the House so we could have a thorough investigation.

Mr. Chuck Strahl (Fraser Valley East, Ref.): Mr. Speaker, I did list a few of the problems with the contract. The contractor was not qualified. He did not meet the mandatory requirements. He should not even have been considered for the contract.

He had an audit done, of course within his own department. An independent audit, which is like an independent ethics counsellor, something the government has trouble with, should be considered when there is this type of contract, an obvious conflict of interest.

Will the government at least release the inside audit so we can all have a look at it and perhaps reopen the bidding process?

Hon. David Dingwall (Minister of Public Works and Government Services and Minister for the Atlantic Canada Opportunities Agency, Lib.): Mr. Speaker, the House should be aware that the hon. member is basing these allegations on a very reputable source he has been able to come up with in the last number of weeks. That source, of course, is *Frank* magazine.

I want to suggest to the hon. member that my department does in excess of 350,000 contracts a year, and at any given time there will be a number of individuals who are not very pleased with the fact that they have not won a contract. Six proposals were submitted and this one was selected based upon the best value for the taxpayer's dollar.

I think the particular awarding of the contract has been done appropriately, and the investigations I have been able to come up with confirm that. However, if the hon. member does have something substantive, other than references to *Frank* magazine, I suggest he put up, or he knows what he should do—shut up.

* * *

(1455)

[*Translation*]

SEGA COMPANY OF JAPAN

Mrs. Suzanne Tremblay (Rimouski—Témiscouata, BQ): Mr. Speaker, on January 13, the CRTC issued a new exemption order concerning the Japanese company SEGA, which is about to offer its video game service on cable television. Yet, the CRTC admitted that this was a broadcast service.

Given the consequences of the exemption order granted to the Japanese company SEGA, can the Minister of Industry tell us if his government intends to set up a working group to review that decision, as was done in the case of Power DirecTv?

Hon. John Manley (Minister of Industry, Lib.): Mr. Speaker, I take note the question. I will provide an answer to the hon. member as soon as I get it.

Mrs. Suzanne Tremblay (Rimouski—Témiscouata, BQ): Mr. Speaker, given the minister's answer, I would like to know if, in the event that a working group is set up to review the exemption, the minister will pledge that the committee will hold public hearings, so that all those who want to express their views on this issue will be able to do so?

The Speaker: I am sorry, but since this is a hypothetical question, it cannot be allowed.

[*English*]

GUN CONTROL

Mr. Jack Ramsay (Crowfoot, Ref.): Mr. Speaker, we have been told that the Minister of Justice did not consult adequately with the governments of the three prairie provinces or the two territories regarding Bill C–68 and that he did not adequately consult with the James Bay Cree, the Council for Yukon Indians, or the Métis. Last night we were told by Chief Mercredi that the minister absolutely did not consult with the Assembly of First Nations.

I ask the Minister of Justice, did he or did he not consult with the Assembly of First Nations on Bill C–68?

Hon. Allan Rock (Minister of Justice and Attorney General of Canada, Lib.): Mr. Speaker, for the last 12 months the Department of Justice and in fact this minister personally have done little else except consult with respect to firearms legislation.

The fact is that there are some, perhaps including the hon. member, who define consultation as doing exactly what they think we ought to do.

The legislation we have put before the House reflects the broad and careful consultation with the wide variety of interests on this topic. The work of the committee, which is now under way and to which the member contributes as an active and hard–working member, is completing that process of listening carefully to the views of Canadians on these important matters.

Mr. Jack Ramsay (Crowfoot, Ref.): Mr. Speaker, I do not know how many times we have to ask the justice minister for a straightforward answer to a straightforward question.

On November 30, 1994, the Minister of Justice, while tabling the proposals to Bill C–68, said ''Let me make it very clear, the process of consultation leading to legislation is now over''. That was back in November.

I ask the Minister of Justice one more time: Inasmuch as he has failed to adequately consult the Yukon Indians, the James Bay Cree, or the First Nations in the prescribed manner, how can he say he has not violated the constitutional rights of these people?

Hon. Allan Rock (Minister of Justice and Attorney General of Canada, Lib.): Mr. Speaker, the very fact that those groups are now before the committee expressing their views with respect to the proposed legislation is proof positive that their perspective is being taken into account.

May I say, Mr. Speaker, that the hon. member in opposing this legislation is merely illustrating the inconsistencies in their position. This is the party of law and order that will not do as the police chiefs and the police associations want. This is the party that wants to reflect the views of the people and will not pay

attention to polls in their own province showing widespread support for this legislation.

* * *

(1500)

INFRASTRUCTURE

Hon. Jean J. Charest (Sherbrooke, PC): Mr. Speaker, my question is for the Prime Minister concerning the disgusting and irresponsible diversion of public funds by the minister of public works for a highway called ''death valley'' where more than 40 people have died over the last nine years so that he could pave a tourist trail in his own riding.

The Minister of Transport twice said this was a decision made by the provincial government. I have in my hand the agreement signed by both governments which says clearly both governments must approve any such project or deal. Why is the Minister of Transport misrepresenting the facts?

Some hon. members: Oh, oh.

The Speaker: I will permit the Minister of Transport to answer the question but I remind hon. members we are skirting awfully close to unparliamentary language in this question period.

Hon. Douglas Young (Minister of Transport, Lib.): Mr. Speaker, today I welcome all the members of the fifth party to the House of Commons.

To make sure the hon. member understands this, the death highway he refers to was there during the nine years in which he was a member of government travelling to Nova Scotia. It has not changed in a year from the condition it was in eight years ago, seven years ago, six years ago, five years ago and so on.

The one thing we want to make sure of, which the hon. member should realize, is that it is quite true that by consensus funds are reallocated for highway construction. The difference is when the Government of Nova Scotia requested it we did consent, we did not hold it up the way he and his colleagues used to do when they were in government.

* * *

POINTS OF ORDER

COMMENTS DURING QUESTION PERIOD

Mr. Chuck Strahl (Fraser Valley East, Ref.): Mr. Speaker, during question period in response to a question I asked of the minister of public works, he suggested I should find it in my heart to shut up. I do not know what the minister expects me to do. I have to ask questions of the government. I do not think it is very parliamentary to ask another member to shut up.

Hon. David Dingwall (Minister of Public Works and Government Services and Minister for the Atlantic Canada Opportunities Agency, Lib.): Mr. Speaker, it is not unparliamentary and if the hon. member finds the tone somewhat offensive I would gladly apologise to the hon. member. Perhaps the next time he might want to select a different source.

The Speaker: I suggest, with all respect to all hon. members, you give the Chair enough latitude to decide that which is parliamentary or unparliamentary.

I hope we would think very seriously about the words we are using because some of them are inflammatory. Today I found we were coming pretty close to the line of unparliamentary language. I appeal to you to please be very judicious in your choice of words.

(1505)

Mr. Randy White (Fraser Valley West, Ref.): Mr. Speaker, you called into question today my use of the word lapdog. I have found we have used this descriptive word in the House 32 times already in this Parliament. It is not on the list of unparliamentary language.

The Speaker: Earlier in the session the hon. member for Winnipeg South raised a point of order about the use of a word in Parliament. At that time I explained to the hon. member and to the House that there is no word which in and of itself is unparliamentary. We cannot use the word ''liar'' in describing each other but if we are using it in a sentence sometimes the word can be used.

The chair is always left with the decision as to what is parliamentary and what is unparliamentary many times from the tone of the word, many times in the context in which it was used.

Again I appeal to all members, as I did in past days, that the decisions I make are hopefully for the proper functioning of the House. Today I asked the hon. member to withdraw a word he used. He was very gracious in doing so and I thank him for it. I would like to let that point sit. I found it offensive today and I have made the ruling.

GOVERNMENT ORDERS

[*Translation*]

CANADIAN DAIRY COMMISSION ACT

The House resumed consideration of the motion.

Mr. Jean–Guy Chrétien (Frontenac, BQ): Madam Speaker, at the GATT negotiations in Geneva, dairy producers were taken on a roller coaster ride, especially in relation to the talks on article XI, and the talks on whether the supply management system should be preserved were far from reassuring.

The new accord to be implemented following the conclusion of this round of GATT negotiations will force the farming sector to rapidly adapt to a new economic environment.

Dairy producers in particular are facing an enormous challenge. By virtue of the GATT's definition of an export subsidy, NAFTA will force dairy producers to do away with their system of export levies by August 1, 1995, that is, in two and a half months.

(1510)

Bill C–86 amends the Canadian Dairy Commission Act in order to resolve the problem of export subsidies. I would like to mention that the commission's chairman is Mr. Prégent. In particular, this bill would implement a national pooling system of market returns which would be used to promote the export of dairy products.

Currently, producers pay a levy of some $3 per hectolitre of industrial milk, which is used mostly to make butter and powdered skim milk for export. This levy which was labelled under the GATT and NAFTA as an export subsidy, even though it is paid by the producers and not by the government, is justified because the levy is paid at source, like the Rand formula for unionized workers, as I was explaining to my colleague from Lévis earlier. Union dues are deducted from wages. In this case, the Quebec federation of dairy producers takes $3 for each hectolitre from the farmer's pay. Because it is a deduction at source, NAFTA and the GATT consider it a direct export subsidy, and, as of next August 1, it will no longer be permitted.

Therefore, the pooling allowed under Bill C–86 will be consistent with the international agreements and will permit dairy producers to keep the advantages of the existing system. In 14 and a half months, there will be a single milk pool for all of Canada. In other words, on August 1, 1996 all that will matter is that it is milk, not that it is unprocessed or industrial milk.

The hon. member for Brome—Missisquoi will find that it will not matter whether the cows were Holsteins, Ayershires or Jerseys. The issue is milk, and milk alone. And to top it all off, there will be a single price. No longer will there be two prices, one for fluid milk and one for industrial milk.

We should, however, be aware that if the United States, which is only too ready to challenge, of late, decides to challenge this two price policy for milk, one for the domestic market and one for the international market, the dairy industry could be accused of dumping.

However, the United States, or whatever country feels it has been adversely affected, would have to prove that Canadian exports were prejudicial to its market. Since we do not export a lot, and since our exports are increasingly value added processed products, this proof could be very elusive.

Bill C–86 is the response of producers to the impact of new international rules on the dairy industry. Dairy producers have rolled up their sleeves and found ingenious solutions to their predicament. We in the Bloc Quebecois support Bill C–86 because it allows producers to adapt to the requirements of international trade agreements signed by Canada.

(1515)

The main purpose of the bill is to replace export levies going into an export subsidization fund with the pooling of returns from the marketing of dairy products.

Since some provinces—such as Quebec—export more dairy products than others, the commission will ensure that each province's contribution to the export fund matches its percentage of quotas. That is fair. If Quebec produces 47.5 per cent of industrial milk, it will pay 47.5 per cent of the export fund. If Prince Edward Island produces 6 per cent, it will pay 6 per cent.

For once in this country, we will have ensured a process that is fair. It will be different from the research and development funding system, in which Quebec receives barely 17 or 18 per cent of the funds allocated to R and D every year. In this case, each province will pay according to its percentage of dairy production.

The pooling of revenues from the marketing of dairy products from every province will allow domestic producers to continue to share market risks equitably and to balance the costs of the system, as the levy system often did. For example, if Quebec produces 48 per cent, it will pay 48 per cent; if Prince Edward Island produces 12 per cent, it will pay 12 per cent, and so on.

As you can imagine, I am pleased to point out that this bill will also allow the commission to delegate its powers to provincial marketing boards and to receive in return any similar powers granted to provincial boards, since fluid milk presently comes under the provinces while the Canadian Dairy Commission's authority is restricted to industrial milk.

The bill provides for a delegation of powers between the commission and the provinces for the purpose of managing the pooled fund. In the absence of a signed agreement, the commission would administer the pool only for industrial milk.

I look at the Liberal members opposite and I think that they, as well as the Minister of Agriculture, who is here this afternoon, will understand. How can this be in a federal system variously described as renewed federalism, courtroom federalism or flexible federalism? Those who talk about courtroom federalism probably worked for the Barreau du Québec or some such organization and see in this an opportunity to line their pockets. As the Minister of Intergovernmental Affairs told us again this afternoon: ''If you are not happy, all you have to do is sue''.

In a normal country, do we go to court every day, one part of the country suing the rest? That is this government's vision of Canada.

Fluid milk, the type we drink every day, comes under provincial jurisdiction, while industrial milk comes under federal jurisdiction, that is to say our jurisdiction, here, in Ottawa.

(1520)

That is federalism for you: the same cow has to have two sets of udders, with the federal government drawing from the left side and the provincial government from the right. This agreement will help a little bit in correcting this distortion. I can see Liberal members laughing. They are laughing because they did not even know that industrial milk fell within their jurisdiction. One of them just woke up, poor him. He finally realized that reality in the legal world is quite different from the reality of agriculture.

These are the technical changes introduced by Bill C–86 regarding the Canadian Dairy Commission. It is interesting to note that the bill is put forward in a context where six provinces, namely Quebec, Ontario, Manitoba, Prince Edward Island, Nova Scotia and New Brunswick, have signed an agreement in principle to pool their whole milk supply system.

I must say that, among the ten provinces, there is one exception and that is Newfoundland, because it has only fifty of so dairy producers, producing mainly fluid milk, which comes under provincial jurisdiction. So, Newfoundland is not a member of this consortium, leaving nine potential members.

The three Western provinces—Alberta, Saskatchewan and British Columbia—have not joined the other six yet. Should they be called sovereignist provinces? Or secessionist, indépendantiste or even, as the Prime Minister says, separatist? I do not think so. These are elected people who want to properly manage government affairs, adequately represent their constituents, and also check with them to see if this is a good solution. I must say that, regardless of what happens, the six other provinces account for over 82 per cent of Canada's milk production.

Even if all the provinces keep their current quotas, there will only be one milk. There will no longer be any distinction made between industrial milk and fluid milk. Consequently, only one price will apply to milk across the country. The provinces will split the increases in quotas among themselves, and producers will be able to buy quotas from other provinces, which is a nice change.

A Quebec producer will be able to buy a quota in Ontario or in New Brunswick, and vice versa. Of course, there could be an increase in consumption if we help each other, if this government stops reducing subsidies to industrial milk producers, as it just did. The hon. member said that the Minister of Finance was not increasing taxes. What a naive statement on his part, given that the federal tax on gas has gone up half a cent per litre. And the member claims this is not a tax. Oh no, this is not a tax.

The government reduced its industrial milk subsidies by 30 per cent. This is not a tax. However, the cost of milk will increase and the government reduces its subsidies. But this is not a tax. Oh no. It is not a tax. Go and ask producers. Go to Lafaille's for example. I did go last Monday to the Lafaille and Sons' auction, in the riding of my friend, the hon. member for Mégantic—Compton—Stanstead, and I talked with some of my fellow farmers. Let me tell you that the minister should stay away, because if he went there—but he would not dare do that, of course—he would find out what farmers think of his budget.

(1525)

Admittedly, it took some doing to conclude this agreement. It is the result of lengthy negotiations in which Quebec demonstrated commendable leadership. When the topic of grain and cereals comes up in the House, the West takes the lead role. But in this case, where for once a bill affects Quebec, I am sure you will not mind if I take a minute this afternoon to congratulate some of our own experts on their tireless efforts. I am thinking of the Quebec federation of dairy producers, its president, Claude Rivard, and its vice president, Jean Grégoire, as well as economist Guylaine Gosselin, the UPA milk expert.

I would also like to pay tribute to officials of the Quebec federation of dairy producers for their unremitting efforts throughout these negotiations. There is no doubt that our milk producers in Quebec are very well represented by their elected officials and by their union, the UPA.

I invite my Liberal colleagues to occasionally take a look at *La terre de chez nous*. They would find this weekly newspaper very instructive regarding the views of Quebec farmers and other questions. Speaking of the West, *La Terre de chez nous* carried an article this week about the Canadian milk pool, which threw out an invitation to Western indépendantistes, the three provinces that have not yet signed up: British Columbia, Saskatchewan and Alberta. Despite their hesitation, the repercussions of this historic agreement may well be greater than first thought.

From a practical point of view, we need only mention that in 1996, Quebec dairy producers should see their income rise by 60 to 70 cents per hectolitre. Of course, 60 or 70 cents is not a fortune. It is an increase of a little over half a cent a litre, which has nothing to do with the increase they should have received, given the rise in the cost of living and the cut of the 30 per cent subsidy that the federal government is getting ready to implement on July 1. This increase of 60 to 70 cents per hectolitre results from the realignment of prices for industrial milk and unprocessed milk in Quebec and the prices of milk in the other

provinces, since by 1996, there will be one national price for milk in Canada.

Because of the GATT, Canada will have to allow butter to be imported this year, which will probably affect quotas. But, with the pooling of all returns, the six provinces will share the impact of market fluctuations on all milk prices and no one province will be hit harder than any other.

What must be stressed is that this kind of agreement is based on the economy. It is the kind of agreement which maximizes the strong points of each and every member, who are all working together. Even with a referendum around the corner, producers from various provinces did not hesitate to collaborate with Quebec because it was in their best interests to do so. When we get down to reality, not hypothetical disaster scenarios, we see that the voice of reason prevails over political considerations.

(1530)

In a document written by The Council for Canadian Unity, largely funded by the taxes paid by all Canadians, and in particular by Quebecers who are forced to pay for this kick in the behind, the council strongly suggests that the word ''separation'' be used, although the explanation it gives of the term in the glossary simply refers the reader to the definition of sovereignty.

And a few weeks ago, I saw that, regarding the separation of Quebec, the Prime Minister once again uttered the sentence that he just loves to repeat: ''Does Quebec want to separate or not?'' He knows very well that his only way of convincing people is by fearmongering.

Last week, when I was doing the rounds in my riding, I made a point of visiting—and I hope you did too, Madam Speaker, because I know you have a very special relationship with seniors and as you know, last week was national seniors homes' week—so I made a point of visiting the homes in my riding, and to my surprise, I found that more and more seniors support sovereignty for Quebec.

When I read in *La Presse* that the Premier of Quebec went to the Lower St. Lawrence, in the riding of the Quebec minister of agriculture, where at a home for seniors, he renewed the membership card of the oldest member of the Parti Quebecois on that member's one hundred and first birthday, I thought that was splendid.

This always reminds me of my elderly mother—unfortunately she passed away three years ago—who said she was going to vote for sovereignty because all her children were in favour of sovereignty. But she always added that this was the only weapon we have against their scare tactics. In fact, in a document the Council for Canadian Unity recommends using the term ''separation'', but they have a nerve, it is not even in the dictionary.

According to them, with sovereignty Quebec would immediately lose—and this is just to scare our farmers—all its market quotas in Canada. According to them, it is unlikely that farmers in other provinces would agree to maintain those quotas. When I say them, I am referring to the Council for Canadian Unity, led by a bunch of dyed in the wool federalists who are biased and misrepresent the facts.

Does this mean that after making substantial changes in their operating procedures during this referendum year, producers outside Quebec would be so inconsistent as to drop the whole thing this fall? Madam Speaker, let us be reasonable. In business matters, farmers know which side their bread is buttered.

An hon. member: As they say: ''Money talks''.

Mr. Chrétien (Frontenac): Indeed. This single milk pool which, as I said earlier, represents 82 per cent of milk production, was created not for the sake of any one group but because it makes sense, and the six provinces that are part of this agreement are in it because it works for them. And who knows, maybe this agreement will be the first of many to be negotiated between Canada and Quebec, after a positive response by Quebecers to the referendum this fall.

At a time when we must adjust to the new environment created by the GATT agreements, we should welcome this agreement wholeheartedly.

(1535)

As the president of the Union des producteurs agricoles du Québec, Laurent Pellerin, pointed out: ''The day after the GATT agreements, the government reiterated its support for supply management on the condition that producers, and dairy producers in particular, collectively adapt their marketing tools''. The ball is now in the federal government's court. Let us see whether it keeps its word on this.

Let us now take a closer look at Bill C–86, which was made necessary. As usual, the present federal government waits until the last minute before acting. This bill must pass all stages, receive Senate approval and be in force by August 1, 1995. If we do not count May, only June and July remain. Therefore we have to get on with it.

The aim of this bill is to adjust the famous $3 currently deducted on every hectolitre of industrial milk produced by dairy producers. This $3 levy, known as the export costs in the industry, will be illegal under international agreements as of August 1. This levy is vital, however, because, without this assistance to industrial milk processors, our exports would no longer be competitive, and we would not be able to compete with products from outside the country, which could flood the markets in Canada and Quebec, because our prices would be too high.

I have 40 minutes, Madam Speaker. Yes. I wonder if time does not go by faster on your watch than on mine.

The Acting Speaker (Mrs. Maheu): You had 30 minutes left when you started.

Mr. Chrétien (Frontenac): Madam Speaker, if I have only a minute left, I would like to remind you that, here in Ottawa, on May 2, 3 and 4 the representatives of nine provinces discussed matters in detail. Six of them subsequently made a three–point proposal to Saskatchewan, Alberta and British Columbia. If you permit me, I will read it to you.

The proposal to British Columbia was to pool industrial milk revenues on August 1, 1996. Fluid milk revenues would be added the following year, on August 1, 1997. The province would keep much of the future increases in fluid milk, because the population in British Columbia is the fastest growing in Canada.

Madam Speaker, I thank you very much for your attention. As I indicated to the Speaker before you, five of my colleagues will help me with Bill C–86. They are the hon. members for Champlain, Lotbinière—

The Acting Speaker (Mrs. Maheu): I would remind the hon. member that I have the list of his colleagues who will take part in the debate.

Debate continues with the hon. member for Vegreville.

[*English*]

Mr. Leon E. Benoit (Vegreville, Ref.): Madam Speaker, it is with enthusiasm and some trepidation that I lead the debate for the Reform Party on the future of supply management and the dairy industry in Canada.

(1540)

The enthusiasm comes from my belief that there could be and should be a bright future for supply management and particularly the dairy industry in Canada.

The trepidation I feel is for two reasons. First, if the changes in the dairy industry are handled poorly or badly everyone involved in the industry will suffer. Second, I have less of an understanding of the dairy industry than I do of many other areas of agriculture. I have been working hard with the help of dairy farmers and groups that deal with dairy farmers to improve my understanding and I will certainly continue to work on this.

Today we are debating Bill C–86, an act to amend the dairy commission act, but our debate must go beyond the bill to a discussion on the very future of supply management and the dairy industry.

I will debate the bill by summarizing it and how it will affect the dairy industry and discussing the future of the dairy business in Canada as I see it with input from farmers and groups I have talked to. I will do this by discussing Liberal policy on supply management from the red book and later added to the red book in an appendix. I will discuss it by talking about the Liberal position as presented from two other sources. I will refer to these sources later.

Bill C–86 is an act to amend the Canadian Dairy Commission Act. It was given first reading on April 28, 1995. The purpose of the bill is to amend the Canadian Dairy Commission Act to provide for a replacement of the existing system of levies with a system of pooling market returns from different classes of milk.

The government claims the switch to a pooling system will maintain equity among producers and is consistent with Canada's international trade agreement.

I have some background information. As part of Canada's system of supply management, the Canadian milk supply management committee, chaired by the Canadian Dairy Commission, oversees the application of the national milk marketing plan.

The CMSMC sets national production targets, establishes each province's share of the national quota and exports any surplus milk through planned marketing programs. The orderly export of surplus production is an essential element for ensuring the integrity of the supply managed system. Without it the system would falter.

Currently producers assume the cost of exporting dairy products not consumed in Canada through a system of levies collected by provincial marketing boards and agencies as deductions from payments to milk producers. Once remitted to the commission these levies are used to finance special programs intended to increase the domestic use of dairy products and to cover the commission's administrative costs.

During the 1993–94 year a total of $141.5 million was collected from the industrial and fluid milk sectors. Such levies, however, are now considered to be a form of export subsidy under the new GATT deal and must be reduced or modified.

Through the bill Canada's dairy industry would abandon this established system of producer levies on industrial milk. The levies will be replaced with a system of national pooling which allows all stakeholders, including farmers, processors and the commission, to equitably share the costs and benefits of pooling revenues and the effects of fluctuations in market size for both fluid and industrial milk.

Through a system of pooling the producers who export milk into the U.S. would receive smaller returns for their milk but the burden would still be shared by all dairy farmers. Basically instead of a levy taken off farmers' cheques to subsidize exports, the national pool would achieve the same ends since the net return to farmers would be in theory identical.

For its part the processing industry would still pay lower prices for its industrial milk. These amendments to the Canadian Dairy Commission Act add a certain amount of new pricing and funding distribution authority to the Canadian Dairy Commission. The new pricing and pooling approach for milk has

received agreement from all provinces in principle. However, negotiations are ongoing as to whether there will be one national pool, which at the moment appears very unlikely, or two separate pools. There would possibly be one for B.C., Alberta and Saskatchewan, and we do not know about Newfoundland, and another for the other six provinces.

(1545)

Ontario dairy farmers supply most of the industrial milk to further processors and Quebec dairy farmers are the biggest exporters. They would receive less than other dairy farmers unless there is some form of national pooling. On the other hand, under a national pooling system producers in the other non–exporting provinces subsidize those who are exporting. It really amounts to a form of equalization payment from one sector of the industry to another or from one province to another. This is perhaps the biggest obstacle to achieving agreement on establishing one national pooling regime for all classes of milk.

I would like to talk about the Reform Party's policy and position relating to Bill C–86. Reform policy in this area has four main points.

First, all processors will be able to structure and manage their organizations in any manner they believe will best serve their interests. The matter of regulating production and setting prices for products under the organization's jurisdiction is a producer issue and should be dealt with by producers.

Second, Reformers acknowledge that the agriculture industry, including supply managed sectors, is moving toward a more competitive market driven system.

Third, we have proposed tough positive measures to ensure fair competition. These are measures such as a tougher anti–combines legislation. That would lead to lower input prices and fair trade policies which would help protect against dumping from other countries particularly from the United States. It would help to protect Canada from the effects of high subsidization in other countries in particular the United States.

Fourth, Reformers propose general changes which will reduce government overspending in a general way but through that will reduce input costs to farmers and indeed to other business people.

We presented these measures before the election campaign, during the election campaign and most recently in the taxpayers budget which would lead to a balanced budget over a three year period if implemented. It would be good for all businesses, including the dairy industry.

In February I visited with farmers in the Niagara peninsula. They spoke of three options. These three options have been presented many times since from a variety of groups. For example, a group of dairy farmers and veterinarians who were in Ottawa a couple of weeks ago wanted to discuss the issue of the BST, but also other dairy issues. These options were presented from dairy farmers in my constituency and across the country both in person and by letter.

The three options concern the future of supply management in the dairy industry. The first option is to end supply management now. I do not believe that this is a widely accepted option within the dairy industry. The second option is to start preparing. Recognize the reality and start a transition process which will allow a healthy dairy industry to continue down the road. The third option is to keep supply management as it is.

The third option clearly is not a reality. Unfortunately it is the position this government presents at least in public. It chooses to go down the avenue of least resistance. It would be appropriate now to look at what happened to grain farmers in western Canada because past governments have chosen to go down the road of least resistance.

(1550)

I am talking about the elimination overnight of the Western Grain Transportation Act subsidy, the old Crow benefit. Due to the lack of openness, honesty and action on the part of previous Conservative and Liberal governments, no phase–out period was provided. There is no clear direction on how farmers will deal with the loss of the freight subsidy. There are no changes in place or proposed by government which would allow efficiencies to be put in place within the grain handling and grain movement system. There are no changes which would allow lower input costs in other areas. Many grain farmers in western Canada will go out of business over the next few years because of the loss of this subsidy, particularly the loss without a transition period for crops which are now being seeded in western Canada.

Governments have talked a lot over the past several years about stabilizing the agriculture industry, but their moves have led to chaos, not stability.

Of these three options, the second option is the option which the Reform Party supports and believes is most realistic. Use what time there is left before we move to open competition in the dairy industry to help prepare for the changes which will come in a supply managed industry. Let us not take the bury your head in the sand approach which has been taken by the government.

Let us look at the reality of the situation in supply management. First, let us look at the GATT and what it does to supply management in the future. After the year 2000 new negotiations will begin regarding supply management through the GATT. In the new negotiations there will be a rapid reduction in tariffs. Those tariffs are presently high and protect the supply managed

industry quite well. There will be more access to imported dairy products in this country.

The changes to the GATT starting a short five years from now will have a huge impact on dairy farmers. That leaves precious little time for farmers to prepare for these changes.

I believe that the real open borders, particularly between the United States and Canada in supply managed products and in dairy products, will come through new NAFTA negotiations. A lawyer for the Dairy Farmers of Canada, which of course is arguing that the GATT supersedes NAFTA in guiding supply managed industries in the Canada–U.S. trade agreement, said in a *Western Producer* article: ''The Americans have a strong case in arguing that NAFTA supersedes and that dairy farmers should be preparing for this possibility''.

Further, a very significant event happened when our Prime Minister and U.S. President Bill Clinton announced a few months ago that Chile would be a part of the NAFTA deal within four years. Why is that significant? It is significant because the Americans, who are looking for and pushing Canada in every way they can for more access to our supply managed markets will not sign a new NAFTA deal until they have much more access to the Canadian market in milk and dairy products. That will mean that in less than four years the supply managed industry in Canada will have to move to a much more competitive environment.

The government can pretend that it will protect supply management through this process but it cannot. I will demonstrate this with quotes from three sources, from the red book first. I will quote all of the agriculture policy in the red book; it will not take very long. This is how important agriculture is and was to the Liberals when they drafted the red book. This is their complete agriculture policy:

> The Canadian agri–food sector has a unique opportunity for growth. An overall policy for the agri–food sector must build upon three component strategies: developing new domestic and international markets for Canadian food products; reducing input costs to make farming more viable; and introducing a new ''whole farm'' income stabilization program. Liberals believe that farm families need long term programs to assist them in securing their future, so that they can continue to provide Canadians with the best quality food in the world.

(1555)

The red book goes on for one more whole paragraph to conclude the Liberals' agriculture policy:

> Canada's agri–food industry needs policies and programs such as supply management, the Canadian Wheat Board, and stabilization programs to minimize the impact of market price fluctuations; government support in developing new commercial markets for commodities in which the agri–food industry has a competitive advantage; sustainable agriculture practices to maintain and improve the quality of our land and water; and mission oriented research to increase productivity and create quality products to meet market demand.

That is the entire agriculture policy that was included in the Liberal red book.

There was a very secret appendix that was even more difficult to get than the red book itself during the campaign and since. It was quite difficult to get. The appendix goes on for three more paragraphs regarding supply management. Three whole paragraphs. That is the extent of the Liberal policy on agriculture and on supply management.

I will go next to some quotes from the parliamentary secretary to the agriculture minister. I will read from a publication put out by the Independent Dairymen's Association Committee of British Columbia which is made up of the Mainland Dairymen's Association and the Southern Interior Dairymen's Association:

> Following are some public quotes from Lyle Vanclief, parliamentary secretary to the federal minister of agriculture, member of Parliament for Prince Edward—Hastings, and owner of a cash crop and market garden farm in Ontario:
>
> ''It is more than definite that the future of supply management in Canada will be 'uncertain after the year 2001'. The United States insists that the earlier signed NAFTA supersedes GATT rules. The Americans expect tariff levels to be reduced at a quicker NAFTA rate and be completely gone to zero by 1998''.

There are three or four more paragraphs but for the sake of brevity I will end the quote from the parliamentary secretary with that.

It is interesting to note the difference between what the Liberals said in the red book and what the parliamentary secretary to the agriculture minister is now finally starting to say in public. Until now this Liberal government has pretended it can protect supply management. It seems to have refused to acknowledge that NAFTA and the GATT and changes that will come to both agreements will bring about quick change to the supply managed industry, including the dairy industry.

It is encouraging that the parliamentary secretary is finally starting to talk publicly about some of the changes that will come about. This will give the industry some time, a bit of a transition period, to get from where it is to a competitive system which will be in place some time over the next few years.

The third source is an article from the May 4 *Western Producer.* The headline is: ''Grits didn't support supply management''. The lengthy quote is from Michelle Comeau, former assistant deputy minister for agriculture: ''Supply management has proven useful in stabilizing farm income but has generated costs to consumers and to the economy in general''.

(1600)

Barry Wilson leads in by saying: ''The Liberals wanted the end of supply management long before GATT, say internal documents''. This is totally different from what the Liberals have been saying publicly.

Part of this article states:

> Long before the December 1993 world trade deal ''forced'' Canada to abandon the legal basis for supply management, the government had decided the system had to go, according to an Agriculture Canada planning document.
>
> Memos issued in 1993, obtained from government files under access to information legislation, show a government publicly proclaiming support for supply management, while privately drawing up plans to manage its weakening.
>
> According to a memo written in late 1993 by then assistant deputy agriculture minister Michelle Comeau to then deputy minister Rob Wright, the system was too rigid and too farmer–dominated.
>
> In any reform, the power of the provinces would have to be reduced and the ''excessive producer control over decision making'' would have to be counter–balanced by a greater role for processors, retailers and consumers who want lower prices.
>
> ''Supply management has proven useful in stabilizing farm income but has generated costs to consumers and to the economy in general'', she wrote. ''Reform is required.''

Point out how different this is from what the Liberals were acknowledging at the time. If the Liberals did not agree with what the bureaucrats were saying, they should have said so then. They chose not to. It is clear from this article the Liberals are saying one thing in public and another thing privately.

I continue with this article:

> Comeau's memo was part of a plan devised by the bureaucracy to handle fall–out from the decision to sign a new world trade deal, even though it excluded the rule which had allowed Canada to control imports of dairy, poultry and egg products governed by supply–managed rules.
>
> For years, the government had been criticizing the rigidity of the decision–making process while praising supply management as a way to help farmers make their living from the market.
>
> Privately, the bureaucrats were agreeing with consumer and processing lobbyists that supply management was bad for the country and the economy.
>
> The planning documents laid out a strategy for dismantling the traditional rules of supply management—controlling the communications, stressing that the system could survive under new rules, injecting more voices into the decision–making, stressing that trade deals and competition made change inevitable and making sure the provinces accepted some of the responsibility for deciding to tear the old system down.

This, released through access to information, is much different from what the Liberals have been saying publicly.

Reform has chosen the more direct and honest approach, even if it means taking some heat in the short term. Which is kinder and gentler, as the Liberals like to always say, to pretend that major changes are not coming and ending up with the pain and hardships that grain farmers in western Canada will feel over the next years as they deal with subsidies that were removed overnight, or being open and honest and allowing dairymen and others involved in the industry to make the transitions that are necessary?

(1605)

It would be kinder and gentler to lay the cards on the table and allow farmers and processors the time they need to make the transition from this protected industry to a more competitive industry.

The change is coming. Reformers have chosen to be up front and honest in dealing with changes to supply management. I encourage dairy farmers across Canada to choose the approach they prefer and to choose the people they prefer to help them with the transition they must make over the next few years.

Mrs. Rose–Marie Ur (Lambton—Middlesex, Lib.): Madam Speaker, I will be sharing my time with the hon. member for Vaudreuil.

I am pleased to contribute to the debate on Bill C–86, an act to amend the Canadian Dairy Commission Act. It offers a new, more competitive marketing approach for the Canadian dairy industry, which is required to allow Canada to honour its international trade commitment while preserving the fairness and equity for Canadian milk producers of the present system.

While market opportunities will flow from both the North American free trade agreement and the World Trade Organization agreement, certain changes to our domestic structure must be made. Effective August 1, 1995, under NAFTA Canada will not be permitted to export dairy products to the United States where the price of the product has been supported by a producer funded levy. This relatively immediate export restraint will be accompanied by a more gradually implemented WTO restriction on our ability to use levies to finance dairy product exports to other market destinations.

The importance of maintaining current export and domestic markets for dairy products and for products containing dairy ingredients in a manner that still allows all dairy producers to share the cost of supplying milk to these markets cannot be overstated.

Over 300 dairy plants in Canada employ almost 25,000 Canadians to process milk used as table cream and milk or in products such as milk, cheese, yogurt, and ice cream. Thousands of other jobs are provided in the further processing sector for items containing dairy ingredients such as cookies, pizza, and chocolate, as well as in areas of dairy product transportation, packaging, storage, and marketing.

Under the rebate program for further processors in dairy product export assistance programs, initiatives currently funded by the producer levies and administered by the Canadian Dairy Commission, export assistance was provided to facilitate the export of over 10 million kilograms of cheese in 1993–94 and to support processor purchases of dairy ingredients used in the production of over 2,000 finished food products.

In 1993–94 dairy exports to the United States involved about 0.7 million hectolitres of milk, about 1.7 per cent of the entire Canadian milk quota set for that period.

Canada's dairy processing industry is largely centred in the provinces of Ontario and Quebec. The 1992 census data indicated that 105 plants processing fluid and or industrial milk were located in Ontario, while the 83 plants situated in Quebec had the highest value of shipments, at $3 billion. Alberta follows with 31 processing establishments. B.C. has 25, Manitoba 18, Nova Scotia 14, Saskatchewan 12, P.E.I. 9, New Brunswick 6, and Newfoundland has 5 such processing facilities.

Without price discrimination and pooling of returns, dairy and further processors would not be able to access milk at price levels that would enable them to compete on the U.S. market and be competitive against imports on the domestic market. Furthermore, the current level playing field provided to producers by the current levy system would be eliminated.

The largest volumes of the lower priced milk needed by processors and further processors for certain export and domestic products are produced in the more industrial provinces of Ontario and Quebec. Some smaller provinces are also greatly affected in terms of the proportion of their total milk marketing that is sold at reduced prices.

Without a workable alternative to the current levy system such as that offered by price discrimination, the loss of the U.S. market for Canadian dairy products and products containing dairy ingredients would lead to reduced competitiveness and would place in jeopardy the domestic further processing sector for such products.

(1610)

Without pooling of the market returns, there would be an inequitable sharing among producers of the cost of maintaining exports to the United States and for domestic competitive markets. This could lead to their abandonment. Should these markets not be maintained, the domestic further processing industry would be less viable due to the diminished economies of scale. Pressure on further processors to relocate their operations to the United States would result. The job loss ramifications of such relocations would be significant.

There is a potential additional reduction in the industry side of almost two per cent resulting from the growing restrictions agreed to under the WTO agreement of the allowable quantity of subsidized exports and the export subsidy paid annually for each product class up to the year 2000–2001. A price discrimination system with pooling of market returns as facilitated by Bill C–86 would address this issue.

Everyone in the Canadian dairy sector is becoming clearly aware of the need to adapt to the new North American and global trade conditions in competition. To illustrate Canadian dairy producers' awareness of this need to adapt, I quote from a May 4 letter written to the Minister of Agriculture and Agri–Food and copied to me by my constituent, Mr. John Core, chairman of the Ontario milk marketing board.

Mr. Core writes:

> It is extremely important that Bill C–86 be passed by the House. We have negotiated long and hard to arrive at a system to replace levies effective August 1. The changes to the CDC Act are critical to special class pricing and the required pooling that follows from that new pricing method. Your directive to not use levies for exports to the U.S. cannot be adhered to without the necessary amendments.
>
> We met the challenge given to us by the federal and provincial agricultural ministers to find the solution. We require the legislative changes now to implement the necessary changes.

Mr. Core, I am proud to say, is one of my constituents.

The dairy industry leaders who have developed and negotiated the approach facilitated by these amendments fully understand that while tariff protection is in place between now and the year 2001, the only way to reduce uncertainty and concern about what happens after this period is to meet the new trade challenges head on. Bill C–86 will allow the industry to do so.

I urge my fellow members to support these amendments.

[*Translation*]

Mr. Jean–Guy Chrétien (Frontenac, BQ): Madam Speaker, I listened with great interest the hon. member's speech on Bill C–86. There was a point I found particularly interesting, and I would like the hon. member to clarify, because I know very well that the farmers' problem is not producing milk but producing just enough to fill their quota.

If farmers were told to raise their quota by 5 per cent this year, they would be very happy. The problem is that they have to produce, say, 10 000 hectolitres of milk, but if they produce more than that they are fined, and if they produce less their quota will be reduced in the following years because—bad boys, bad girls—they cannot fulfil their commitments. So much so that people often joke and compare cows, as the hon. member for Lotbinière did yesterday, to gas pumps that have not been fixed. With gasoline, once the exact number of hectolitres has been

pumped into the tank, the pump is turned off, and the customer waits until tomorrow or the next year. But one can hardly do that with cows.

Therefore our problem is not to produce more, because milk production could easily be increased by 5 per cent a year. What I want to ask about is the 1.7 per cent of our milk production which was exported to the United States last year or in 1993–94. I would like the hon. member to tell the House what province this 1.7 per cent came from and in what form it was exported.

(1615)

[*English*]

Mrs. Ur: Madam Speaker, I thank the hon. member for his question.

In his statement he said that the dairy farmers do not wish to produce more milk. Bill C–86 is not about producing more milk. It is about providing a proper environment for the new export rules that will be implemented in August of this year. Bill C–86 will open those avenues to the dairy farmers so they can adjust.

Dairy farmers are well aware of the adjustments they have had to make since the Uruguay round of discussions. It is not something that was thrust on them at the last minute.

Mr. Leon E. Benoit (Vegreville, Ref.): Madam Speaker, I agree with the hon. member for Frontenac that Canadian dairy farmers could increase production very rapidly. If Quebec were to become independent and leave Canada I believe that the rest of the country could take up the production that Canada would lose very quickly. Alberta and western Canada would love to be able to improve dairy production.

They do not want Quebec to leave so that will happen. They have other plans for allowing for the increase in dairy production.

There is an understanding that the present system of levies is not GATT friendly. I ask the hon. member if she is completely confident that this bill cannot be challenged successfully by the World Trade Organization?

Mrs. Ur: Madam Speaker, I thank the hon. member for his question.

We certainly have top priority with our dairy people. I feel the government has moved in a fashion that will protect the whole dairy industry.

I realize that six provinces have signed on and other provinces agree with portions of Bill C–86. The bill is in the best interest of Canada and its export markets and pertains to the reduction and changeovers that will be happening in August of this year.

[*Translation*]

The Acting Speaker (Mrs. Maheu): The hon. member for Frontenac has 30 seconds left.

Mr. Jean–Guy Chrétien (Frontenac, BQ): Do we not have ten minutes for questions and comments?

The Acting Speaker (Mrs. Maheu): No. It is five minutes because there was an agreement to share time.

Mr. Jean–Guy Chrétien (Frontenac): Then 30 seconds will not be enough.

Mr. Nick Discepola (Vaudreuil, Lib.): Madam Speaker, it is my pleasure today to speak in favour of Bill C–86, an act to amend the Canadian Dairy Commission Act. The proposed amendments will permit the strengthening of the partnership between the commission, provincial milk marketing authorities and the dairy industry, through the joint administration of the new pricing system and the pooling of market returns.

This approach will allow Canada to comply with the new trade conditions under the North American Free Trade Agreement and the World Trade Organization agreement. Milk used for exported products or for products on domestic competitive markets will continue to be made available to processors at competitive prices. At the same time, we will maintain the producer equity that is so essential to the current milk marketing system.

Even though Bill C–86 gives new powers to the Canadian Dairy Commission, it has no effect on provincial jurisdiction. An interface between current provincial and federal powers on pricing is necessary so that all milk marketing can be regulated, whether the milk is sold beyond provincial borders or on export markets.

The pricing and pooling approach, authorized by the amendments in Bill C–86, was proposed by the dairy industry itself and represents only administrative changes to the mandate already given to the Canadian Dairy Commission and the provincial milk marketing authorities.

(1620)

Since its creation as a Crown corporation in 1966, the commission has assumed a key role in the development and implementation of the federal dairy policy. It is working in close collaboration with important national organizations such as the Dairy Farmers of Canada, the National Dairy Council of Canada and others working under them.

The Canadian Dairy Commission is also facilitating the essential work of the Canadian Milk Supply Management Committee through the chairman of this committee responsible for controlling the implementation of the national milk marketing

plan, the federal–provincial agreement governing the management of milk supplies in Canada.

After detailed consultation with the industry, the commission sets the target price of industrial milk—the milk used in dairy products such as cheese and yogurt—and the support price of butter and skim milk powder.

The Canadian Dairy Commission is also authorized to collect levies from producers remitted by the provincial milk marketing authorities. This is to cover exportation costs and finance special programs aimed at increasing domestic consumption of dairy products.

Provincial milk marketing authorities are authorized to set the prices and pool market returns within their respective borders. The new legal provisions contained in Bill C–86 will place the commission on equal footing with provincial authorities as far as price setting is concerned and authorize it to operate the pooling system agreed on by the provinces for milk earmarked for interprovincial or international trade.

In order for the Canadian Dairy Commission to be able to manage this new price setting and pooling approach in the interest of producers, legislation must give certain powers to provincial dairy authorities and, as required, provide that they give up certain responsibilities. In the new system, provincial authorities will grade milk for export or sale on competitive domestic markets and set prices depending on end use.

Under the terms of the amendments before us, the Canadian Dairy Commission would be able to delegate to provincial authorities its present responsibility with respect to the pricing of milk traded interprovincially while being granted the power to pool revenues from the sale of milk sold interprovincially by provincial authorities.

On a regular basis, boards and milk marketing boards would report to the commission the sales volumes and going prices for each grade of milk sold during a given month. The Canadian Dairy Commission would then be asked by provincial authorities to average nationally the price for each component included in the pool. Sufficient amounts would be included from each province to ensure fair distribution of the proceeds from the sale of milk for the lowest priced classes.

We must bear in mind that not all provinces contribute to the same degree to processing activities. The quantity of milk for special classes of products, that is to say, dairy products for export such as cheese, or further processed products such as chocolate and pizza, varies widely across the country.

Most of the inexpensive milk in these classes will be sold to processors in the most industrialized provinces, namely Ontario and Quebec. Some smaller provinces, however, are greatly affected as to their proportion of the total volume of milk sold at reduced prices.

To ensure that the cost of maintaining these industries and the essential export markets is shared equitably among producers, each province will be required to inject a minimum percentage of its total monthly sales of milk into the pooled fund.

(1625)

This is how national average prices for the different classes of milk products would be calculated. This percentage is being negotiated by provincial authorities.

Returns from the agreed upon percentage of milk sales would then be pooled and redistributed to producers through provincial authorities on an equitable basis negotiated by the industry and provincial authorities and set out in official federal–provincial agreements.

The industry has concluded that creating special classes of milk sold at competitive prices on the destination market would be a good way of maintaining our share of the dairy export market without resorting to production levies.

The importance of finding an equitable way of maintaining our share of the export market in dairy products and products with dairy ingredients was the main force behind the intense negotiations and hard work undertaken by the provinces through the various committees and working groups in the past year.

Just before Christmas, the hon. Ralph Goodale and his provincial and territorial counterparts responsible for agriculture and agri–food confirmed their support of the industry's consensus that some pooling of market returns from dairy products was urgently needed so that the industry could meet Canada's international obligations and maintain an orderly marketing system.

By passing Bill C–86, the House can finally take an active part in the development of this essential sector of the Canadian economy, which successfully faces the modern challenges of the emerging global market.

Mr. Jean–Guy Chrétien (Frontenac, BQ): Madam Speaker, the hon. member for Vaudreuil talked about the target price for industrial milk, which is essential to producers of powdered milk, for example, or frozen pizzas with cheese; this class of milk is sold at a lower price. He talked about the targeted price for that milk. I would like him to elaborate on that.

Secondly he spoke about NAFTA and GATT. I often ask Liberal Party members as well as Reformers which of the two agreements should take precedence. Would the hon. member for Vaudreuil not agree that his government should seek to determine which should take precedence?

For example, the three dollar levy per hectolitre of milk was partly consistent with GATT. It could have been reduced each year by 15 per cent, while, according to NAFTA, it will have to be totally eliminated by August 1, 1995. Which one is right? Is it

GATT or NAFTA? If the hon. member for Vaudreuil does not know, would he not be tempted to suggest to his minister of agriculture that he seek a determination of whether GATT or NAFTA takes precedence?

Mr. Discepola: Madam Speaker, first, the hon. member for Frontenac will surely agree that the bill was drafted in consultation with Quebec's dairy industry, which is very supportive of this legislation.

I do not want to get into a debate as to which agreement takes precedence over the other. Rather, I want to congratulate the hon. member for Frontenac, who is the opposition's critic on agriculture, for his very positive comments, in this House, on April 4, 1995, regarding the development of the memorandum of understanding which integrates the marketing of industrial milk. Indeed, the hon. member was very pleased with this change.

(1630)

Consequently, I wonder what the opposition is now up to. The fact is that, if the amendments to the act do not come into effect by August 1, 1995, there is a risk that producers' contributions could no longer be used to finance exports to the U.S.

Considering that Quebec accounts for over 47 per cent of the industrial milk production, and that most of this production is exported to the U.S., it only makes sense to pass this bill as quickly as possible, so that producers in Quebec and in the rest of Canada can benefit from it.

[*English*]

The Acting Speaker (Mrs. Maheu): 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 Davenport, World Bank and International Monetary Fund; the hon. member for Richmond—Wolfe, internal trade; the hon. member for Regina—Lumsden, gasoline prices.

[*Translation*]

Mr. Réjean Lefebvre (Champlain, BQ): Madam Speaker, I am very happy to rise and speak today to further the interests of farmers in Quebec and Canada, and more particularly in my riding of Champlain.

It is all the more pleasant to do so since Bill C–86, an act to amend the Canadian Dairy Commission, shows that, for once, the government has understood how important it is for our agricultural producers to adjust to the new international trade rules.

We all know that agriculture is an industry that cannot be compared with any other, especially in Quebec. For example, virtually all farm production in Quebec comes from family farms. Agricultural performance depends on the weather and, for most products, marketing is done jointly by producers. Those few points illustrate the distinctive features of this local industry that has to compete on world markets.

With GATT and NAFTA, farmers are thrown onto a free market and have no other choice but to succeed. To do so, they must prepare, and we must set up systems that are allowed under those agreements and provide independent producers with a framework that is both flexible and competitive.

Bill C–86 is a step in the right direction, but the government should keep in mind that producers must constantly adjust and keep their production costs as low as possible, to be able to meet the challenge of world competition. Farmers have realized as much in the last few years, and they do whatever is needed to succeed. In Quebec, let us just mention the establishment, in 1992, of the Quebec dairy industry recovery fund, which has, as one of its prime missions, the funding of research projects on dairy products or of marketing projects aimed to increase sales.

This recovery fund is partially financed through a levy on each hectolitre of milk produced and on processed products. The fund was set up by the Quebec milk producers federation, Agropur and its subsidiaries, the Lactel Group and a number of associated co–operatives, as well as a company belonging to private manufacturers members of the Dairy Council.

This example shows the innovative spirit of producers and others involved in the Quebec agri–food system and, in addition, it reflects their capacity and willingness to work together to face common challenges. It is no longer possible to ask producers alone to constantly reduce their production costs without asking the other people involved in the agri–food system to do the same.

(1635)

This reality is the basis of our collective approach and competitiveness on the world markets. Emphasis is now put on total quality and the implementation of research results not only throughout the Quebec and Canadian agri–food systems, but also by all the stakeholders involved, including the federal government.

As for the government, it must make the legislative framework more flexible and maintain the assistance measures allowed under the international trade agreements, as requested by the president of the Canadian Federation of Agriculture during the last general assembly of his organization. The government and the Minister of Agriculture must constantly ensure that their action does not harm the agricultural industry.

The budget recently tabled by the Minister of Finance took away some of the basic resources our farmers need and undermined the growth of our agricultural industry. Under the February budget, Agriculture Canada stands to lose 2,000 jobs, including 900 in the research sector, one of the most important sectors in agriculture, and the farm support programs will be

reduced by 30 per cent. More specifically, milk producers will sustain over a two–year period a 30 per cent cut in the subsidies for industrial milk. These producers live for the most part in eastern Canada, which includes Quebec, and the government has made no provision to compensate these producers, although it plans to compensate western farmers for the elimination of the Crow benefit. The producers will have no other choice but to pass part of the bill on to consumers. And producers will again be accused of having increased the price of dairy products.

As the president of a farmers association, Laurent Pellerin, said in an article which appeared in the weekly *La terre de chez nous*: ''The Martin budget singles out rural regions''.

The government cannot, on the one hand, change the rules applying to the dairy industry and, on the other, gradually withdraw its support. I would hope that both measures are carried out with the same outlook on our agricultural future and that the Minister of Finance has consulted the Minister of Agriculture before proceeding with these cuts. I would also hope that they have assessed the impact because it would be a shame for the farmers to see the efforts of the Minister of Agriculture wiped out by his colleague, the Minister of Finance, year after year, budget after budget.

Bill C–86 is a very praiseworthy initiative of the Minister of Agriculture, who wishes to establish a national pooling system of market returns which will help sustain dairy product exports. This new system is consistent with international trade agreements and gives producers the same advantages as a deduction system. However, I hope that the minister has thought of a reply for the American government, which has the habit of challenging Canadian agricultural policy and could be tempted to accuse Canada of dumping, since this system favours a lower price for milk used in export products.

We must not forget that the bill before us has been introduced right after six provinces, including Quebec, signed an agreement in principle on the pooling of their milk supply systems. That means that, in these six provinces, producers will get the same price for their milk and that the provinces will administer a common quota. Put together, these six provinces account for 85 per cent of all the industrial milk produced in Canada. That consolidation will allow them to implement a single milk marketing system under which interprovincial barriers to milk supply will be phased out in the medium term.

(1640)

Moreover, the consolidation of the milk supply system will help these provinces make the adjustment to competition from further–processed foreign dairy products. The agreement is the culmination of lengthy negotiations in which Quebec played a leadership role.

Quebec is the main stakeholder in the dairy products supply management system. Without Quebec, the Canadian dairy policy collapses. The Canadian dairy producers understood that. This agreement proves indeed that, even in the middle of a referendum campaign, dairy producers from the other provinces have recognized the importance of economically integrating their industry with that of Quebec in order to protect their interests.

By their actions, dairy producers have shown that economic reality prevails over emotional debates. This is proof once again that all the dire scenarios that federalists spread about will simply not materialize once Quebec becomes sovereign.

Quebec will not lose its present share of quotas. On the contrary, like the other provinces, it will maintain the supply management system in the interest of all dairy producers in Quebec and in Canada. Quebec's success in dairy production is an economic reality hard won by producers, not a gift from Canadian federalism.

I wanted to mention these facts because they are important in order to explain the role of each player, to understand fully the economic dynamics of the dairy industry and to clarify the role of the government, which must follow suit and work with producers toward a shared vision of tomorrow's agriculture and the actions needed to get there.

The government's contribution to the development of our agricultural economy is mainly through the creation of a favourable environment. It must act as a guide and help all those who want to consolidate their markets or to develop new ones.

Let us hope that Bill C–86 is only the beginning and, as the member of this House for the riding of Champlain, where agriculture is very important to our economy, I must support such initiatives.

Mr. Nick Discepola (Vaudreuil, Lib.): Madam Speaker, I listened attentively to the hon. member's representations, and, I must say, it sounded to me like a rerun of all of the debates which have taken place in this past year, or even in the past 30 years. They always come back to how our federalist system has mistreated Quebec.

But, recently, the debate shifted to how Quebec can retain the benefits of a federalist system even after declaring its independence. For almost a year now, they have been discussing how Quebec could keep the same currency as Canada, the same passport and citizenship, and how it could remain a member of all of the trade agreements.

I will ask my question now because I would like to give them ample time to answer. How can they dare say to Quebecers today, in this House, that if Quebec were to separate, they would guarantee them—? Under the federal system, dairy producers get 47 per cent of overall production. We heard the Reform member say—

(1645)

[*English*]

How happy the rest of Canada would be, if Quebec ever decided to separate, to take up the slack in milk production in the rest of Canada. They would be happy. He stated that they did not want the separation of Quebec.

[*Translation*]

Therefore, I am going to ask my hon. colleague how he can dare, first, to tell Quebecers today that they will be a signing party not only with the rest of Canada, but that they will also remain part of NAFTA, GATT and other trade agreements? But, more importantly, how does he intend to guarantee that the production quotas of dairy producers will remain at their current levels?

Mr. Lefebvre: Madam Speaker, I listened carefully to my colleague opposite, the member for Vaudreuil. We can see how consistent the Liberals are in their approach. They continuously resort to the same scare tactics against Quebecers. What I want to say to the member for Veaudreuil is that we, on this side, have guts, we have courage, we are willing and able to trade with any country, and we want to maintain provincial agreements. I believe it will be in the best interests of everybody in Ontario and in the western provinces.

Mr. Jean Landry (Lotbinière, BQ): Madam Speaker, my party's position on Bill C–86 is very clear. We support this bill, which enables milk producers to meet the requirements contained in the international trade agreements signed by Canada. This bill provides for the creation of a national pooling system of market returns which will help support the export of milk products.

Among the interesting proposals, we notice that, from now on, the Canadian Dairy Commission will manage a common fund made up of returns from the sale of dairy products. Previously, the commission deducted levies from producers' pay cheques. With this bill, the commission will ensure that the provinces fund exports proportionally to their milk quotas. For instance, Quebec which exports more dairy products than the other provinces, will be assured that producers will share equally in the risks and in the costs of the system, as was the case under the old levy system.

On April 4, I mentioned in this House that six provinces had signed a memorandum of agreement aimed at merging their milk supply systems. This bill is being tabled while Quebec, Ontario, Manitoba, Prince Edward Island, Nova Scotia and New Brunswick have signed a memorandum of agreement providing for the common marketing of industrial milk and fluid milk in these six provinces. Even if the provinces keep their present quotas, there will be only one class of milk and one price and no more distinction between industrial and fluid milk.

Quebec has played a major role in the signing of this agreement, I want to make that clear. I want to mention it because, even with the upcoming referendum on Quebec's future, the other provinces recognize the importance of an economic union with Quebec. Federalists say that, if Quebec separates, it will lose its present part of the quotas. I say this is false.

Come on. Quebec will keep the supply management process, mainly because it is in the interests of milk producers in other provinces. If the federalist threat were true, Quebec products would create a very harsh competition for dairy farmers from the rest of Canada and there could even be a shortage of these products on the Canadian market.

The fearmongering campaign of the federalists caught on rapidly in Quebec. One of their key arguments is the threat that a sovereign Quebec will lose half of its industrial milk quotas and that thousands of dairy farms will be out of business in Quebec. Roger B. Buckland, a vice–principal at McGill University, suggested in the Opinion rurale column of the March 2nd issue of the magazine *La Terre de chez–nous* that the United States would drive many dairy farms to the brink of bankruptcy.

(1650)

According to him, the United States would refuse to maintain the tariffs agreed to under GATT in an agreement which would make an independent Quebec part of NAFTA. He argues that sovereignty would have a negative impact on Quebec dairy farmers since, within Confederation, they supply 48 per cent of the industrial milk sold on the Canadian market when Quebec has only 25 per cent of the population.

Fortunately, the same publication also ran a reply from a sociologist, Stéphane Paré, in its issue of March 30 to April 5. Here are some excerpts from this reply:

''Will Americans swallow us? Will they take advantage of the situation to make NAFTA prevail over GATT? Will Canadians produce more milk and will Quebecers have to reduce their production? Quebec, even if it separates, will remain a signatory to GATT, at least that is the way we interpret international law. It is called ''state succession'', and it means that the successor state abides by the laws and obligations of the country it was part of previously.

Mr. Buckland, I can just see you rushing in to argue that the rule of successor states does not necessarily apply. You are right. In fact, this is one of the reasons why I believe that Canada would be interested in siding with us against Uncle Sam. Canadians know very well that, without Quebec, they would be an easy prey for the Americans. Therefore, they would see the advantages of sitting down with Quebec to negotiate. If there is a possibility that Chile could join NAFTA, I fail to see why the signatories would be harder on Quebec. We must keep in mind that, for the U.S., Quebec is a more important economic partner than France is, for example. As for the fate of dairy producers in

Quebec, you should know that they do not need Quebec's independence to disappear. All they have to do is to let Mr. Martin do his thing''.

Rational arguments always prevail over fear, and Quebecers will not be fooled on the day of the referendum. Why claim that a sovereign Quebec would not be allowed to trade with the rest of Canada, when we know that Canada's dairy production is an economic reality? Trade between Quebec and Canada exceeds $80 billion.

Do you think that it would be in Canada's interest to cut all ties to an independent Quebec? If Quebec loses, how can Canada expect to gain? The need to maintain a Quebec–Canada economic zone is obvious.

The agreement in principle reached between the six provinces that we referred to earlier is an increasingly relevant case in point. Dairy producers in the other provinces know that Canada will maintain economic ties with a sovereign Quebec. Economic reality will prevail over feelings of emotion and vengeance. Furthermore, the Quebec government is committed to maintaining a quota system, which it sees as essential to both producers and processors.

We know that scrapping this system would not be in the best interest of any dairy industry in Quebec and Canada. As the Bloc Quebecois demonstrated during the official opposition day on agriculture, excluding Quebec from the quota system would expose dairy producers in the other provinces to the fierce competition of their Quebec counterparts, in addition to creating a shortage of dairy products in those provinces.

GATT rules virtually preclude the imposition, by Canada, of restrictive measures to prevent Quebec dairy products from getting in. These rules seem to be open to a legal challenge. So, we will leave it to the lawyers.

Maintaining a common economic zone within the dairy industry will make it possible to resist pressure from the United States. Quebec and Canada will have to join forces if they want to counter constant American opposition to custom tariffs on our dairy products. The bill before the House, Bill C–86, will probably be challenged by the Americans.

(1655)

It should not come as a surprise to us to hear that the U.S. are accusing Canada of dumping by reason of the fact that Canada intends to promote low prices for milk in dairy products for the export market. However, it will be up to our neighbours to the South to prove that Canadian exports have an injurious effect on their market. This will not be an easy task, for our products are exported in small amounts and generally processed.

At any rate, we know that all European GATT members subsidize their dairy exports. Canada is not there yet. Therefore, there is no reason to worry too much. However, if Canada were to act on the federalists' threat to break off any ties with an independent Quebec, the American ogre would be sitting pretty. The federalists also threatened Quebec dairy producers with the loss of tariffs negotiated with the U.S. under NAFTA if and when Quebec became sovereign. Come on.

The U.S. appetite for international trade is well known and I am convinced that they will not change their ways with a sovereign Quebec. Naturally, they will try to get more than they already have and to renegotiate the agreement with an independent Quebec. But the fact of the matter is that this is already going on now with Canada. Like Canada, Quebec will reply that customs tariffs are protected by GATT.

The Americans are putting the pressure on and will continue to do so, whether Quebec becomes sovereign or not. However, they do understand that money talks. With exports of $14 billion and imports of $27 billion to and from Quebec, it is not the economic considerations involving Quebec's dairy industry that would keep Americans from signing a new free trade agreement with us.

There is currently very limited trade between Quebec and the U.S. involving the dairy industry, because of high tariffs. It is easy to see that we would have a new free trade agreement without having to make concessions on agricultural tariffs. So, where is the catastrophe for the Quebec dairy industry in a sovereign Quebec?

Where is the catastrophe, if it is wrong to claim that a sovereign Quebec would lose half of its industrial milk quota, which would result, if we are to believe the fearmongers, in the closure of thousands of dairy farms in the province? Where is the catastrophe, if it is wrong to claim that sovereignty would adversely affect Quebec producers, because they provide 48 per cent of Canada's industrial milk production, while accounting for only 25 per cent of the country's population? Where is the catastrope, if it is wrong to claim that Quebec dairy producers will lose the benefit of the existing tariffs with the U.S., under NAFTA. Where then is the real threat?

The real threat was tabled by this government not long ago. The real threat for Quebec's dairy industry is the last federal budget, as I said a few moments ago, when I quoted a Quebec sociologist. Because of that budget, the federal subsidy for industrial milk is reduced by 30 per cent over a two year period.

We mentioned earlier that Quebec accounts for 48 per cent of Canada's industrial milk production. So, who do you think will bear the brunt of these cuts? It is pretty easy to figure out. These cuts amount to a loss of income of $3,775 for an average size dairy farm producing about 2,500 hectolitres of milk. This means a 15 per cent loss of income for a producer with a net income of $25,000. And this is not taking into account the

increased feed costs, following the elimination of transport subsidies for grain and feed. Quebec farmers have been left high and dry. The finance minister's budget does not provide any compensation for them, even though they are the most affected by it.

This bill will allow producers to adjust to the requirements of international trade agreements signed by Canada. As we said, this is why the official opposition supports Bill C–86. However, the problem confronting our daiary producers is certainly not solved, given the obstacles set in their way by the finance minister's budget.

(1700)

What gives me hope however is the agreement in principle signed by Quebec, Ontario and the four other provinces to pool their milk supply system. This shows that a sovereign Quebec would not be isolated for mere emotional reasons, when it is economic considerations that really count.

[*English*]

Mr. John Bryden (Hamilton—Wentworth, Lib.): Madam Speaker, I listened to the remarks of my colleague with great interest.

I come from a rural Ontario riding that has an excellent dairy industry. Speaking on behalf of the farmers, the dairy producers in the immediate area where I live, I am perplexed by the remarks that separation would not hurt Quebec producers.

The dairy farmers in my area feel very strongly that Quebec dairy farmers are enjoying a singular advantage right now and would look forward to an opportunity to compete face to face with Quebec as would be the case in the event of separation. There are farmers in my riding who are very expert in the dairy industry.

Does my colleague feel in the event of Quebec's separation that Ontario dairy producers would lose or gain? Would they produce more milk and get more money?

[*Translation*]

Mr. Landry: Madam Speaker, it is my pleasure to answer this question because, in reality, our colleagues from Ontario, our neighbour, have nothing to worry about. They know very well that they have a good thing going with Quebec, and Quebec knows it too.

I do not believe that the day after Quebec's separation, should that day come, Ontario would say: ''From this day on, we are going to ignore you, ignore your businesses, your dairy businesses, your imports and exports''. I do not believe it because my colleague opposite knows very well that two provinces, two good provinces, Quebec and Ontario, which have always had good trade relations, are not going to erect walls at their borders, even when it comes to agriculture, I might add.

My colleague also knows very well that, as things stand now, such a move would cause Ontario to lose thousands of jobs and millions and millions in revenue. Therefore, I think that a married couple can always make some kind of alliance and come to some kind of agreement. I would like to add that we are all sensible people, whether we are from Quebec or from another place in Canada. We are all very reasonable and very talented. Should Quebec separate from the rest of Canada, I would be worried in the least. We will continue to have very good trade relations. I assure you. I thank my colleague for raising this excellent question.

Mr. Nick Discepola (Vaudreuil, Lib.): Madam Speaker, marriage is not on the agenda in the current political situation in Quebec. Divorce is. And I never knew people to be better off after a divorce than they were before. Never. They keep talking about threats and scare tactics when we disagree with them. The real scare tactics started when the budget was brought down in Quebec. Although six or as many as eight provinces brought down a balanced budget, the Quebec minister of finance opted for genuine scaremongering. Vote no or vote yes, depending on the question, otherwise we raise taxes.

The hon. member also said everything would be just fine after separation.

[*English*]

They are dreaming in Technicolor. They stand in the House day after day and state everything will be rosy after separation. I challenge them.

[*Translation*]

Mr. Chrétien (Frontenac): Question. Question.

Mr. Discepola: The hon. member for Frontenac might as well know this is a time for more than questions, this is a time for questions and comments. He never had the intestinal fortitude to tell the House how Quebec and its farmers would be better off in an independent Quebec.

(1705)

The hon. member also said that, in an independent Quebec, Quebecers would have the assurance that their new country would be a party to all trade agreements.

[*English*]

He says again that it is in the interest of Ontario and all other provinces to continue a lateral trade relationship with Quebec.

We are talking about a divorce; we are talking about the destruction of a country. They cannot stand in the House day after day and pretend that in a separate Quebec people would be able to keep the monetary policy, the Canadian dollar, and to have dual citizenship. Imagine people in Quebec being able to vote in the rest of Canada because they have dual citizenship and people from the rest of Canada not being able to vote in Quebec.

There is never a campaign of fear mongering in this party. We will reach a decision diplomatically and democratically. I would like them once and for all to stand and say there may be a risk but they do not. They continually tell Quebecers that it will be business as usual.

How can they guarantee that? They have said they want to take the good things Canada has to offer. They want the same dollar, the same passport, the same everything. Pretty soon they will be telling us: ''We will keep Canada; find your own Quebec''.

[*Translation*]

Mr. Landry: Madam Speaker, it will be a pleasure to respond to the hon. member for Vaudreuil. I wish the hon. member would remember what I said. When I referred to marriage, I meant an economic marriage, and I would like to point out that today, as many as 60 per cent of businesses in Quebec and Ontario are involved in joint ventures, and that Ontario has a $3.8 billion trade surplus with Quebec.

Just a minute, Madam Speaker, just a minute, please. Will Ontario ignore us overnight? Will Ontario and the other provinces in Canada turn down economic ties overnight? Hardly likely. Globalization is the order of the day. But let us continue.

Just because we are talking about agriculture, we do not need more fences. There will be no fences tomorrow. These are the figures I wanted to mention in the House when I spoke earlier, and I repeat, this is an economic marriage regardless of the outcome for Quebec. With respect to agriculture, which was supposed to be my topic today, there are no borders, no fences. And I may add that yes, this will be a good economic marriage.

[*English*]

Mr. Randy White (Fraser Valley West, Ref.): Madam Speaker, as someone from British Columbia I am sick and tired of talk about some kind of economic merger.

A lot of dairy products come from Quebec into British Columbia. Why does the member think British Columbia would accept product from a country that just separated from Canada? What motivation is there for people from British Columbia to take the product when we can produce it ourselves?

[*Translation*]

Mr. Landry: Madam Speaker, I think our western colleague overlooked the fact that Quebec buys $800 million worth of beef.

Mr. Chrétien (Frontenac): Annually.

Mr. Landry: Annually. Eight hundred million dollars worth.

Does the West—

An hon. member: And Western wheat.

Mr. Landry: We could say plenty about Western wheat, Madam Speaker.

I will say this, if the Reform Party does not want an economic marriage, it can refrain, but as a politician, I say that we are going to have a real marriage, a marriage that is economically and politically sound.

(1710)

[*English*]

Mr. Wayne Easter (Malpeque, Lib.): Madam Speaker, I am happy to join my colleagues in the debate on Bill C–86, an act to amend the Canadian Dairy Commission Act and to add my support to this important initiative.

Dairy farmers of Canada as well as producers in my home province of Prince Edward Island are very anxious to see the bill passed prior to the end of June so that the legislative requirements laid out in the act are in place prior to August 1.

The P.E.I. milk marketing board held a number of public meetings on the proposals outlined in the act and had strong producer support. However I underline the important point that producers in my province do not want to see this as the first step in moving toward a national quota exchange. It is important to have the quota distributed throughout the country and not drawn basically into Quebec and Ontario through quota pricing practices. I underline that as a concern.

The bill provides Canada's dairy sector with the ways and means to successfully face demanding new market realities. As well the amendments are very much in line with the government's fiscal goal of getting the deficit under control.

The new milk pricing and pooling system will not require any additional resources from government reserves. It will not entail any contingent liability on the part of the federal government or involve any reallocations from within the Canadian Dairy Commission's current operating funds.

As my colleagues before me have noted, the principal amendments to the act provide the commission with the legal administrative authority to work co–operatively with provincial milk marketing authorities to calculate the average national price level for the milk classes whose returns will be pooled, to obtain the returns from sale to processors through the provinces and then to redistribute the returns to producers through provincial authorities on an equitable basis under the terms of a formal federal–provincial agreement.

The other amendments contained in Bill C–86 are even less complicated. They are necessary to add clarity to the act to ensure compatibility and consistency with provincial authorities and legislation, to enable proper and efficient banking procedures and administration of producer money, and to strengthen the enforcement provisions of the act.

Through Bill C–86 a provincial milk marketing board is specifically defined to add clarity to the act and to ensure consistency with similar provisions contained in the dairy products marketing regulations. The new industry pooling system for milk marketing returns will be carried out through arrangements agreed upon by the Canadian dairy commission and the provincial milk marketing authorities.

An amendment has also been included for clarity to ensure that there is no misinterpretation of the fact that the regulations made under the CDC act do not take precedence in terms of the authorities provided to the commission under the act.

The provisions contained in any legislated act always take precedence over any regulations made pursuant to the act. That is an important point. Other amendments provided by Bill C–86 enable the commission to recover pool administration costs from the pool, to establish a special bank account to deal solely with the producer moneys entering and leaving the pool through the provincial authorities, and to permit the CDC to establish a line of credit to ensure continuity of producer payments. These are important principles to ensure that we meet our GATT obligations and that we are not using government moneys to fulfil these procedures.

Under pooling arrangements the Canadian dairy commission will simply be administering a pool of producer moneys on behalf of producers. If necessary, any borrowing costs would be undertaken on a short term basis only to ensure timeliness of payments as moneys enter and leave the pool. Any such borrowings would be subject to prior approval by the Minister of Finance and be totally funded by producers.

(1715)

Bill C–86 also enables the CDC to continue its long standing practice of returning any excess fees or levy funds rightfully owed back to producers. The amount of in quota production per producer can only be estimated at the beginning of each dairy year. The amount of actual production is not known until the end of the year.

While no penalties are charged for under producing milk, under the supply management system over quota production is exported and levies are charged on these amounts to cover export costs and other related CDC program costs. The same type of situation may well occur under the pooling system as average national prices will be calculated at the beginning of a certain period and may differ when the marketing costs are finally determined. Again, no additional government funds are involved.

The last amendment contained in Bill C–86 strengthens the enforcement provisions of the CDC act. Given the attorney general conducts all litigation for the commission and has the power to seek injunctive relief in its own name the new provision will ensure the same relief is available if litigation is commenced by or against the commission in the name of the CDC.

Again I urge my fellow members to fully support Bill C–86. Such approval will demonstrate clear recognition of the importance of Canada's dairy sector and the continuation of the supply management system and its benefits to not only producers but to all Canadians. This is a model we should be encouraging other countries to adopt and these amendment will go a long way in terms of making it compatible with GATT agreements.

[*Translation*]

Mr. Jean–Guy Chrétien (Frontenac, BQ): Madam Speaker, my distinguished colleague and member for Malpèque is an expert in dairy production, and I have considerable respect for him.

The Federation of Dairy Producers of Canada decided to comply with the provisions of NAFTA—and NAFTA is the reason we are here debating Bill C–86 this afternoon—because the $3 levy per hectolitre of milk could have been reduced by 15 per cent a year. However, GATT determined that, as of August 1, 1995, this $3 deduction from the income of industrial milk producers would be illegal under the NAFTA agreement, because it would be considered a direct export subsidy.

This is debatable, but since it seems we do not want to overly upset the Americans, we bowed to their demands. We still do not know which takes precedence—GATT or NAFTA—so we comply with the requirements of NAFTA.

Under this agreement, we obtained an extension in order to become legal. As the member for Malpèque pointed out, the quota may be negotiated between provinces. The hon. member for Malpèque could buy part of Quebec's quota to expand his farm. Better yet, if he wants to swell his coffers, he could sell his quota to Quebecers, who could take his quota from Prince Edward Island and bring it to Quebec.

I think this is a very good point in Bill C–86, given that, in the agreement signed by the farm producers of the six provinces, if, for example, Prince Edward Island sees its milk quota vanish like snow in springtime after the 1 per cent sale, it can temporarily withdraw from the agreement it signed with the other five provinces.

(1720)

What I want to find out from my colleague for Malpeque, who is very familiar with agriculture across Canada, is: what is going to happen to the three recalcitrant provinces? I will not go so far as calling them separatist, but I would like to know what we can give these three western provinces to get them to sign the agreement with the six other provinces, since they produce barely 18 per cent of Canada's milk.

[*English*]

Mr. Easter: Madam Speaker, I thank the hon. member for his question.

I want to make it very clear that Bill C–86 is only talking about the legislative authority to implement a national pooling system of market returns from the different classes of milk. It will not establish a national quota exchange. To be very clear, it will set up a national pooling system of market returns and would give that authority within the context of federal–provincial agreements on pooling mainly through delegated functions. I raised quota exchange because it is a concern of producers in Prince Edward Island that this legislation not been seen as the first step toward moving in that direction.

This requirement is really as a result of the GATT. In terms of the point he raised with respect to GATT and NAFTA, we in Canada know which tariff reduction regime has priority. We know it is the GATT negotiation and not NAFTA. The Americans may differ in their opinion but certainly we are firmly behind the stand that the GATT tariff reduction rules apply.

Mr. Elwin Hermanson (Kindersley—Lloydminster, Ref.): Madam Speaker, the debate to this point has been quite insightful. It tells us a bit about Canada and some of the problems we face. It is interesting that the debate is over something as simple as milking cows. The previous Liberal speaker has been actively involved in the dairy industry. I cannot say the same although I have milked cows.

It is very interesting to see a debate in the House, an argument, a scrap might be the correct word, between the Liberals and the Bloc over milking cows. It was at the point at which they were talking about marriages and divorces over milking cows. We have to wonder, in the marriage or the divorce who is the cow and who is the bull. Maybe we have two bulls, in which case where is the milk?

If we have this kind of debate over milking cows, can we imagine a fight over the future of Canada as to whether we remain a united country? We can imagine how the scrap will intensify. We will not be talking about milking cows, we will be talking about the St. Lawrence seaway, the division of assets, federal buildings across the river in Hull, federal buildings in Montreal and all across Quebec, apportioning the federal debt. We can only imagine the difficulty.

The problem is we have two parties in the House talking about marriage and divorce. It is time to change the parameters of the debate and start talking about life and death. With the parties involved in the debate all I see is the potential of death. They will scrap until someone is killed.

(1725)

We may be talking about some new life in this issue. When I think about new life I think about Reform because Reform talks about a constructive new way of looking at things. Perhaps both parties need to lay aside their instruments of war and listen to Reformers who talk about a new Canada, the birth of new ideas, a new Confederation with 10 equal provinces working together because they have responsibilities appropriated to each level of government in a manner that will allow us to work co–operatively and lay aside some of these foolish and silly debates like the debate over how we milk our cows.

I farm and I have milked cows, mostly as a young lad. I do not claim to be an expert but I recognize the importance of the industry. Therefore it is a privilege for me to speak this afternoon on Bill C–86 which provides for the replacement of levies with a pooling system of market returns from different classes of milk use, which system maintains producer equity and is consistent with Canada's international trade agreement.

I rise in the House today to talk about an issue that should have been addressed many months ago. While I congratulate the government for finally addressing the issue of supply management, I have many doubts whether the government has the resolve to develop a policy that addresses farmers' concerns for the long term.

Canada's supply management system has provided stability to the dairy industry. In the system farmers are given a reliable means of marketing their product with a consistent price. Consumers are guaranteed in receiving a product of high quality. However, this has come with a hefty price tag for consumers with goods in some cases double what the same product would cost in the United States.

As long as our dollar is relatively low, below 80 cents U.S., it does not create too much of a problem. However, when we see our dollar increase above the 80 cent mark certainly we have cross–border shopping. Any Canadian who goes across the border to shop in the United States will put in their hamper large quantities of dairy products such as cheese, milk and the like. That indicates perhaps there are some fundamental problems and pitfalls ahead with regard to not only the dairy industry but all supply managed areas we need to openly discuss in the House and in the industry.

Recent developments in world trade have signalled the inevitable end of Canada's supply managed systems as we know them. The status quo will go, just as it will go with regard to the squabble between separatists and federalists. The status quo in the supply managed system will have to pass away as well.

As of August 1, 1995 under the Uruguay round of GATT all import quotas must be converted to tariffs. While tariffs may protect supply managed commodities in the short term, it is doubtful they will be a fixture in the long term. Canada will try

to maintain the 85 per cent tariff level until the year 2001 but it is likely the United States will challenge it. Even the parliamentary secretary to the federal minister of agriculture has said publicly this is inevitable.

I quote the MP for Prince Edward—Hastings:

> What will likely happen is that the Americans will ask for a NAFTA panel in the very near future. The panel of industry experts is made up of two Americans and a fifth person who is chosen by 'a flip of a coin'. The system is somewhat biased, depending on which country 'wins the toss of the coin'. That's the way the system works.

The government is confident it can win an American challenge against tariff levels. However, what plan of action has the government developed if the Americans win the challenge? It reminds me that the Liberals said they were sure Canada would win the debate over article XI in the GATT negotiations.

Everyone knows the Liberals were wrong. We have found out the Liberals are wrong a lot of time. We are concerned that they do not always accurately communicate the conditions not only of the dairy industry, but those that many sectors of our economy may face in the future. The Liberals are not being straightforward with the results of the ongoing deficit and increasing debt.

It is about time we started to deal realistically with the issues before us and address in a very direct form the concerns of the dairy industry. For instance, a ruling in favour of the Americans would put the current system in jeopardy. We are reminded that an ounce of prevention is worth a pound of cure. The Reform Party supports the tariff levels which were agreed to under GATT.

The Acting Speaker (Mrs. Maheu): It being 5.30 p.m., the House will now proceed to the consideration of Private Members' Business as listed on today's Order Paper.

PRIVATE MEMBERS' BUSINESS

[*English*]

CANADA ELECTIONS ACT

Mr. Ian McClelland (Edmonton Southwest, Ref.) moved that Bill C–319, an act to amend the Canada Elections Act (reimbursement of election expenses) be read the second time and referred to a committee.

He said: Madam Speaker, this is a very straightforward bill. It intends to put one more very small hurdle in the path of registered political parties before they are eligible for reimbursement from the public purse. It would be a hurdle similar to the one that is in the path of individual candidates. When individual candidates run in a particular riding, the candidate is required to have 15 per cent of the total votes cast in that constituency before the candidate is eligible for reimbursement from the public purse.

Reams and volumes of books have been published over the years on election financing in Canada. The stack is quite high. It all has to do with financing elections in Canada and ensuring that financing is straightforward and transparent. It ensures that candidates who are able to run in elections come forward to represent their constituencies without having to be independently well off.

The election financing rules are intended to ensure that candidates are not bought by individuals. That is why there are limits on campaign expenditures. That is why there is full disclosure on funding of individual and national campaigns.

The bill speaks only to the national campaigns. It was motivated during the last election when I found myself, as everyone in the House did, in the situation where there was a cacophony of candidates representing quite a wide variety of platforms.

Perhaps the most outrageous was the platform of the yogic flyers. While the debates were going on I wondered what yogic flying had to do with running our country and what yogic flying could do to get our country out of debt and make our country work better. At first I am sure many people thought it was a joke. We certainly do not want to dissuade anyone from running and getting involved in politics. And perhaps yogic flyers do have the answer to Canada's problems.

I wish to inform the Chair that it is my intention to share my time with my colleague from Okanagan Centre.

(1735)

The Acting Speaker (Mrs. Maheu): Is that agreed?

Some hon. members: Agreed.

Mr. McClelland: Madam Speaker, here we were in the middle of the election campaign surrounded by yogic flyers.

That would have been great, except that when the election was over I checked into it. They received a grand total of 84,000 votes in the last election, .6 per cent of the total votes cast. They also received $717,000 from the taxpayers of Canada in reimbursement for their national campaign expenditures. It worked out that the taxpayers of Canada reimbursed them $8.41 for every vote cast. They spent $37.38 for every vote they received, which is their business. It did not make sense to me that the taxpayers of Canada should be subsidizing what really is not a political party.

The intention of having the national campaign party reimbursement was to ensure that national or regional political parties had some income between elections. It was intended to

keep them going. National or regional political parties are necessary for the lifeblood of the country.

In looking at the campaign expenditures, we thought about how we would make sure the hurdle was low enough, so small that parties could get started yet high enough to be real. We came up with the figure of 2 per cent. Federal parties would have to have spent 10 per cent of their total allowable limit and also have garnered 2 per cent of the total votes cast. In the last election that would be something like 270,000 votes across the country.

Some with whom I have discussed this bill have suggested it might be appropriate to have a lower threshold. If that is the case, I would be quite happy to consider amending this bill to have a lower threshold, perhaps 1 per cent.

Mr. Milliken: Why not higher?

Mr. McClelland: That would still be 130,000 votes across the country. As an hon. member opposite mentioned, why not higher? If it is the will of this House either in committee or in debate that it should be higher, that could be considered. In my view, 2 per cent was high enough that it was a hurdle but low enough that it was possible to achieve.

I wish to reiterate the intent is not to prevent new parties from getting going. The intent is in keeping with the spirit of the Electoral Reform Commission to ensure hurdles are in place to protect the public purse, to ensure that genuine political parties are able to benefit from the very wise intentions of those that preceded us in this House.

I ask hon. members opposite to give this bill their consideration and support. It may save us somewhere in the region of $1 million, which for most Canadians is quite a lot of money. For the federal budget, it is not that large an amount. However, it is not just the amount, but the principle we are talking about.

Mr. Werner Schmidt (Okanagan Centre, Ref.): Madam Speaker, I am pleased and happy today to be able to support my colleague from Edmonton Southwest and his bill to amend the Canada Elections Act.

Canadians are a people with a profound respect for democracy. Look around at the make–up of the House. We know by the change that took place from the last election to this one how democracy is respected in our country.

We understand representation very well. We respect it even when we do not necessarily agree with everything our representatives say. One of the things that brings this home most clearly is the structure of our electoral system.

(1740)

We conduct open, free and fair elections in Canada. We give political parties tools to raise funds and to run candidates. We place limits and restrictions on their activities during and between writs to ensure fairness, even in dealing with each other and with the public. We have disclosure rules to make the system transparent. But our system also has some flaws. The bill put forward by my hon. colleague is all about addressing one of those flaws.

Bill C–319 seeks to limit the reimbursement of election expenses to those parties that have spent more than 10 per cent of their allotted expense amount as described in section 46 of the Canada Elections Act if and only if they receive more than 2 per cent of the vote nationally. What this would do is limit expense reimbursement to only those parties that have received a significant number of votes in the election, those parties that have a reasonable level of public support among Canadian voters.

In the most recent election, Elections Canada reports that there were 19,906,796 registered voters. This means that with this bill a party would have to have received 398,136 votes nationally to be eligible for reimbursement of election expenses. I do not think it is unreasonable for Canadians to expect a party to give a reasonable showing in an election before hard earned tax dollars are handed over to help it pay its bills.

What this bill seeks to prevent is the situation that arose in the last election. During that election certain parties were either well financed or had policies that were way out of touch with reality but were still well financed. These parties managed to field a large number of candidates and spent considerable sums on their campaigns. The taxpayer reimbursed them for a sizeable chunk of those expenses, even though they received only a very tiny portion of the overall national vote.

It does not sit well with me nor with many other Canadians that we are reimbursing expenses to parties that do not get more than a handful of the overall votes. I am not advocating the restriction of the electoral system here, far from it. I am only suggesting that it is about time we started to apply some fiscal restraint to our electoral system just as we are to the rest of the functions of government.

Parties should in no way be limited from forming or running as many candidates as they can muster. Parties should be allowed to spend as they see fit within the current rules set out by Elections Canada. Parties that do not command a significant share of the vote should not expect the Canadian taxpayer to cough up money to pay their bills.

I need to correct myself. We want 2 per cent of the total votes cast which in the last election would have worked out to 270,000 votes or thereabouts. The earlier figure I used was a theoretical

number based on the actual number of people who could have cast a ballot.

The reimbursement of election expenses should be a privilege enjoyed by those parties that have demonstrated they have the support of a significant proportion of Canadians. It is that simple.

What Bill C–319 seeks to introduce is fairness and fiscal restraint in the electoral system. We all know that fiscal restraint is absolutely essential in Canada today. We want political parties to demonstrate that they are deserving of any benefits they might derive from the taxpayer. We want them to show that they have support at the ballot box before they get the support from tax dollars. It is really all about fairness.

If a party deserves to be reimbursed because it has support among the people, it will be. If, however, a party is using the electoral system in this country as a soapbox for personal or questionable exposure and the people ignore it, then it should pay its own bills.

Again, I am not suggesting that we limit participation in any way. It is just that parties that do not command a certain level of support from the voters should not expect those same voters to bail them out with tax dollars. It is about being fair, responsible and accountable to the taxpayer for the dollar spent.

I am pleased to offer my support to my colleague from Edmonton—Southwest in this Bill C–319.

(1745)

[*Translation*]

Mr. Peter Milliken (Parliamentary Secretary to Leader of the Government in the House of Commons, Lib.): Madam Speaker, I am highly interested in the bill introduced today by the member for Edmonton Southwest. I congratulate him on the fact that his bill was chosen. I hope that today, or at a later date, the House will adopt the bill at second reading so that it can be referred to the Standing Committee on Procedure and House Affairs which will study it, and maybe recommend a few amendments before sending it back to the House for concurrence.

[*English*]

The bill purports to put a minimum in place for contributions from the federal treasury for parties participating in elections. The hon. member has proposed a political party must receive at least 2 per cent of the votes cast in order to be eligible for the 22.5 per cent reimbursement allowed under section 322 of the Canada Elections Act.

The hon. member will be aware there is a fairly significant history in relation to this issue which might be of interest to him and other hon. members wishing to participate in the debate today. The Lortie commission, the report of the royal commission on electoral reform and party financing, recommended registered parties that receive at least 1 per cent of all the ballots cast be reimbursed at a rate of 60 cents for each vote received provided that no party would be reimbursed at an amount greater than 50 per cent of its electoral expenses.

This increase proposed by the Lortie commission rewarded parties that received a large number of votes in proportion to the number of votes they received and also increased the rate for the major parties so they would get more money because there was a recognition that at the national level Canada's national parties are generally short of cash, particularly those not forming the government.

There was a recognition by the royal commission that the governing party had an easier time raising funds than parties in opposition to the government. In part to offset that the commission recommended this rather generous reimbursement procedure but based on votes so that only a party that was fairly successful in the polls would receive a substantial chunk of money.

The hon. member will know there were extensive discussions between the parties about the Lortie recommendations. In the last Parliament I had the honour to be a member of the special committee on electoral reform which dealt with the Lortie proposals in some detail and came up with a series of reports tabled in the House. One of the reports resulted in the adoption of Bill C–114, an act to amend the Canada Elections Act, in the last Parliament. The other major report from the committee was never acted on by the government prior to the dissolution of Parliament and accordingly this issue, as were some others, was left untouched.

The committee, composed with representatives of the three recognized parties then in the House, the NDP, the Progressive Conservative Party and the Liberal Party—the Progressive Conservatives of course had a majority on the committee—was unable to agree on the Lortie commission proposal.

While it was something that would have been palatable with our party, the New Democratic Party in particular found it offensive because it would have received far less money than under the current legal arrangements. The Progressive Conservative Party, looking at the polls, was very nervous it might also be disastrous for it and so it was not very keen on it.

I say with some pride the Liberal Party has always done well in the polls, whether in opposition or in government. Hon. members opposite laugh but it has been a fact for really all of this century that we would have come out reasonably well on any scenario with this arrangement. Other parties were more apprehensive and based on the election results in 1993, I can understand their apprehension. We all know the New Democratic Party took a terrible whipping, although well deserved, and the Progressive Conservative Party similarly was thrashed, and very properly so.

They would have felt this rule in a very harsh way had they adopted it before the election, which this party would not and had not in any election. With all the elections it has lost in this century it still would have done all right under a rule of this kind.

(1750)

I now want to turn to what the committee did. The committee came up with another way of enriching the parties a little, and that was to increase the reimbursement from 22.5 per cent to 25 per cent and simply leave the rules as they were. That was the only deal we could make which every party agreed on and it was part of a package which included other changes to the financing of political parties. Of course none of it was enacted.

I do not mind telling hon. members opposite one of the points the government was very anxious to include in the bill was a restriction on the minimum number of votes one had to receive in order to qualify. The government was very anxious to put in place a figure which I think was around 5 per cent. That would have put at risk various other parties that were more regionally based. When I say that I look at the two parties in opposition because both of those parties come from a fairly regional base. I think the hon. member for Edmonton Southwest would concede the Reform Party is not strong in Quebec or in Atlantic Canada.

We resisted that at the time because we felt if we were to have a regional basis to the parties it was unfair to stack the deck against the establishment of new parties and we were naturally somewhat concerned about that. Therefore we resisted and I think I can safely say from the point of view of hon. members opposite it is probably just as well we did.

However, that is history and certainly from a theoretical point of view there was no objection on our part to putting some minimum number of votes obtained in place. Therefore, to have this bill before us today and allow the committee to study it is very important. I support the hon. member in that objective.

However, I cannot let the opportunity pass without commenting on the 2 per cent figure. It strikes me as being rather low. In South Africa and in Germany where there is a system of proportional representation, in order to qualify to get any seats in the legislature they have to have at least 5 per cent of the votes. That is my recollection. That is to get seats, let alone reimbursement.

In our country we can win seats in Parliament in one or two places, as we had with the Reform Party which had one member in the last Parliament, the hon. member for Beaver River, who was here throughout that Parliament. With a modest number of votes in a general election a party can still have seats in the House. We have two areas in which there is reimbursement, at the national party level and at the constituency level. If one is successful at the constituency level, money is paid to the successful candidates and to the other candidates who run well.

In looking at the 2 per cent figure I cannot help but look at the results of the 34th general election, the 1988 election. Eight parties ran in that election which would not have qualified using the rule of the hon. member for Edmonton Southwest. They all had less than 1 per cent of the vote. However, the one party over 2 per cent was the Reform Party. That party received 2.09 per cent of the vote in 1988. It is an extraordinary coincidence that 2 per cent is the figure which the hon. member chose because of course it saved the Reform Party based on the 1988 results. I am sure he did not look at the results to come up with the figure, but perhaps a researcher did.

While it has initial appeal, I think a little higher figure might not be inappropriate. I would have hated to see the Reform Party cut out of the financial jackpot if we had put it too high in the last election. I cannot remember if that party broke 5 per cent. I would want to look at a higher figure in committee. I served notice to that effect and I certainly look forward to hearing the witnesses the committee is able to call on this bill, should the House in its wisdom decide to give the bill approval in principle at second reading.

There are lots of ways to skin a cat, as they say, and I think there are many ways we could seek to improve Canada's electoral law with respect to the reimbursement of political parties. I am glad to see the Reform Party by this bill is adopting the principle that the state does have an important role to play with respect to the reimbursement of political parties because that is certainly something we have regarded as fundamental for some time and on which occasionally I have heard statements. I cannot say I have read the little blue book, but I have heard statements that make me wonder if the Reform Party really is committed to this principle.

(1755)

I assume this bill put forward by the hon. member for Edmonton Southwest has some approval from the powers that be in his party, including the member for Calgary Southwest who I gather has some say in these matters, that this is okay and this principle therefore is satisfactory.

I am glad to support the principle. I hope we can work out a series of rules that will be fair not just to the parties currently in the House but to other parties formed in Canada and also to the Canadian taxpayer.

The problem with the current system is it encourages parties that are registered and fielding the requisite number of candidates to spend as much money as they can. As long as they spend 10 per cent of their limit, I believe, they become entitled to a reimbursement of 22.5 per cent of their expenses no matter how

many votes they get. I agree that is wrong. There should not be an incentive to spend.

In my view, the money paid should be based on some other principle, whether it is on the number of votes received or on a minimal number of votes one must get in order to qualify for the expense. Something needs to go into the law.

I quite agree with the hon. member in bringing this forward. I would be glad to support the bill at second reading in order that the standing committee may do a detailed study on the proposal.

[*Translation*]

Mr. Gaston Leroux (Richmond—Wolfe, BQ): Madam Speaker, it gives me great pleasure today to represent the official opposition in this debate on Bill C–319. Before I start, I would like to salute and thank the members who are constantly striving, through their work and reflection, to improve the elections act and the way our tax money is managed, with a view to reaching a very significant goal, namely the representation of the people.

On behalf of the official opposition, I would like to give a point of view based solely on democratic principles in action. The purpose of this bill is to allow only those registered parties that have received 2 per cent of the total number of votes cast in a national election to receive a 22.5 per cent reimbursement of their election expenses.

We believe that this new provision of the Canada Elections Act will result in making it more difficult—and I especially stress more difficult—the emergence and survival of a variety of political formations which often reflect political diversity and a rich and vibrant democratic life.

I do understand the underlying principle of the bill, which is to avoid reimbursing part of the election expenses of groups or factions formed to campaign in favour of a political idea shared by a tiny minority. I believe that this bill is aimed at the Natural Law Party, for example. We have no intention of launching into an endless debate, even if I am opposed to the principle of the bill. Again, I understand the bill's objectives. It could, however, set a dangerous trend for democracy in Quebec and Canada.

Since a political party is already required to nominate at least 50 candidates to be registered, which I feel is enough to confirm how serious a political formation is, why should it also be required to receive at least 2 per cent of the total number of votes cast in an election to be eligible for a 22.5 per cent reimbursement of its expenses? Preventing the wasteful use of public funds to promote silly ideas during an election campaign is one reason, but it is not enough to convince me that this bill is justified.

In my opinion, this bill is strangely reminiscent of Bill C–229 tabled by the Reform Party, which would require a political party to nominate candidates in at least seven provinces in order to be registered. I think that both these bills are similar to the extent that they both seek to limit the expression of democracy in Canada.

Make no mistake. This is a discussion about principles, a discussion that could lead us in this House to debate the relevance of the multiparty system at the so–called ''national'' level.

(1800)

Bill C–229, which required a political party to nominate candidates in at least seven provinces that have, in the aggregate, at least 50 per cent of the population of all the provinces, was nothing short of undemocratic. We regarded it as an insult to democracy, because it denied Quebec's right, as a distinct society, to have its own representatives in the federal legislature.

In Canada, the multiparty system is also a matter of regional representation, and that is what the bill denied. In the past, several political parties have been active on the Canadian scene while based only in one province. As early as 1920, members from other parties started to be elected to the House of Commons in relatively large numbers and with enough support and credibility to influence the democratic system. In the 1930s, the Social Credit and the Commonwealth Cooperative Federation, for example, represented very special interests, and their demands and aspirations were in no way national in nature; these were movements created by Western farmers to protest the excessive taxation powers of a highly centralizing federal government.

So, why limit access for the political representation of minority views and amend the Canada Elections Act if not to prevent Quebec in particular from voicing its rejection of the old national parties, the people commonly referred to as the Grits and the Tories?

Let us be clear. The introduction of such restrictions on the exercise of a democratic right in the Canada Elections Act would mean the end of the multiparty concept in the Canadian electoral system. We feel that the provision requiring that a party gets 2 per cent of the votes to have part of its expenses repaid is a restrictive measure.

Such bills promote the emergence of a one–way political life, of a biparty system essentially dominated by two parties taking turns to defend the same interests and the same vision of a very centralized Canada.

The biparty system does not reflect the geographical reality of Canada. Our country is part of a continent. Each region of that continent is a country in itself, with its language, its character and its cultures. In that context, we feel that the Canadian culture is a myth.

The two party system can no longer reflect reality across the continent; the rout of the Conservative Party of Canada in the last general election is proof of that, even though the hon. member for Sherbrooke is trying like the very devil to resurrect his party.

Mr. Ostrogorsky, one of the fathers of modern political analysis, condemned—and this democratic approach is important—what he called the ''perverse effects of a mechanical democracy''. He was referring to the two party or one party political regimes under which the democratic life looks somewhat mechanical and loses all its meaning. ''The ongoing nature of parties is the basis for the development of the machine and disturbs the workings of democracy'', he wrote. Therefore, the appropriate solution to the problem of parties appears obvious. He felt that we have to get rid of the use of rigid and permanent parties, whose only goal is to gain central power. Where I come from, we say that it does not make the slightest difference whether the Tories or the Grits are in power.

We should go back to the true nature of political parties, that of groups of citizens formed to promote certain policies. The author describes political parties as forums where all those who are trying to solve a given problem or reach a given goal have a role to play and an opinion to voice on each and every issue. They are a kind of comprehensive and regional association.

He writes: ''In countries with a bipartisan system like the United States, Great Britain—and Canada, I should add—political debate all but disappears. When the discussion revolves around the vision of the Tories or the Grits, we end up nowhere. Real debates on social issues take place outside the political parties''.

(1805)

So, he makes the basic and implicit assumption that there is no universality in the differences of opinion within our society and that our conflicts and differences cannot be resolved by a single entity.

The last general election proved that the two major parties, the Conservative and the Liberal parties, the Tories and the Grits, are no longer alone in the Canadian political arena, which is being redesigned according to regional considerations that have nothing to do with the concept of a Canadian nation. To us, any measure aimed at limiting the expression of political differences at the continental level is inconceivable.

This is why the Bloc Quebecois, the official opposition, is against this bill and wants to point out during this debate that we are now faced with a new democratic approach which recognizes the fact that, since the last election, there is no longer a truly national party in Canada. We have well–represented regions, which clearly indicates the goals we have to reach.

[*English*]

Mr. Ron MacDonald (Dartmouth, Lib.): Madam Speaker, I am glad to be here today to debate this private member's bill.

Private Members' Business gets far too short a shrift in this Parliament as it did in other Parliaments. It is a time for private members who do not get to set the legislative agenda of the government, both on the government side and indeed in the opposition, to come forward with pieces of legislation that they believe will fix things that are wrong.

Some of Private Members' Business is inherently partisan, which is fine; that is the nature of the beast in this place. Some seeks to try to get some consensus and camaraderie around the Chamber with respect to principles, goals and ideas.

I do not support the bill in its entirety but I do understand the direction the hon. member is trying to set. Having run in two elections and having run election campaigns in a number of elections prior to that, I know it is extremely difficult as a candidate or as a campaign manager when one gets individuals or indeed parties that form for a very frivolous reason the intention to go out and paint everybody else who has a legitimate political belief as somehow ripping off the system.

We have seen that all the time. The Rhinoceros Party and some other regional parties form for the sole intention of trying to make some fun out of the very serious business of politics. It is difficult as a candidate when that happens. However, one has to be extremely careful when one starts introducing pieces of legislation whose impact may be to limit entry of legitimate political thought in our system. It begs the question of what is legitimate political thought. That is really in the ear or eye of the beholder.

One of the major problems I have with the bill and one of the reasons I could not support it in its current form, although I would support it's going to committee so that we can at least have some non–partisan debate not structured by our parties with respect to this issue, deals with the percentages. The reason I had difficulty with the percentages, and the hon. member will be interested in hearing this, is not so much that I am opposed to setting a benchmark below which a party is not deemed to be worthy of support by the taxpayers of Canada. I am worried for two reasons. One is that I firmly believe we have to do everything humanly possible to ensure genuine political debate is fostered, that it does not become the purview of the rich and the famous and those who can bankroll on their own.

The second thing we have to be very careful of is the minimums when one starts establishing in law certain parameters within which political debate and thought must be

conducted. Otherwise one will not be able to get the type of funding necessary, which in turn will thwart the fostering of new political thought, new political ideologies.

I did some quick math. In Atlantic Canada we have 32 constituencies. One thing that strikes an individual after getting elected, be they from Alberta, Nova Scotia, northern Ontario or Quebec, is the vastness of this nation. This is a wonderful piece of God's earth. Although from time to time we just deal with our troubles, it really behoves us to think about the enormity of the resource we have.

(1810)

It is a regional country, like it or not. I am a regionalist. I believe the country is made up of a number of regions. We may have provincial boundaries that fit inside those regions, but most of all it is a country of regions.

In Atlantic Canada many times we have voted differently than the rest of the country has. I remember back in 1984 when the Conservative Party first came into power there was a sweep across the country. The sweep was not nearly as complete in Atlantic Canada. In 1988, while the Tories enjoyed a second electoral victory, in Atlantic Canada the tides turned. Atlantic Canadians moved away from that governing party in a larger percentage than any other region of the country.

An hon. member: We are awfully smart.

Mr. MacDonald: We are awfully smart and perhaps that is it.

Different regions may find different political ideologies appealing for whatever reason. In Atlantic Canada we have 32 seats. We are a vital part of the nation. We have the great province of Newfoundland. We have Prince Edward Island, the birthplace of Confederation. We have the bluenosers from Nova Scotia and the herring chokers from New Brunswick. We have 32 wonderful constituencies and four tremendous provinces as part of this great country.

The Tories did not do terribly well in the last election, as we know, right across the country. In Atlantic Canada they did not do terribly well either. The message of the Reform Party was so objectionable to the people in Atlantic Canada that people who could not see their way to vote for the Liberal Party stayed with the Tory Party, knowing their vote would be lost, that the Tories would not get another term in office. They could not go with the third option, the Reform Party. They will never go with the Reform Party. That will never be an option down there.

The Tories did exceedingly well with respect to how they did in other parts of the country. They got wiped out as well there, with the exception of the member for Saint John, the former mayor, who perhaps most days wishes she had not been so lucky to win that night.

In Atlantic Canada the rough math tells me that the Tories in 32 seats polled about 290,000 votes. That is pretty close to the two per cent limit set out in the bill. I do not have them all marked, but I will run through the percentages of votes cast that Tories received in all of the ridings in Nova Scotia: 20 per cent, 8, 22, 11, 32, 36, 23, 20, 23, and 32.

I do not throw those numbers out to say the Tories are a viable alternative now or in the future. I throw them out to show they did still garner a significant vote because the Reform Party's message was not saleable in Atlantic Canada in the last election. It probably never will be.

Mr. Epp: You wait, you'll see.

Mr. MacDonald: The hon. member for Delta knows of which I speak.

There are 32 ridings in Atlantic Canada. The Tories scored fairly well, better than they should have and better than they did on the national average. Yet if that were a regional party in Atlantic Canada it would have garnered only about two per cent of the vote nationally. I have a problem with the percentage. Two per cent is probably too high, and perhaps the percentage should be lowered to about one per cent.

Another concern is with respect to the establishment of minimums. When we establish minimums, many times they become maximums. Perhaps down the road, if this bill is fortunate enough to gain the consent of the House, people might say there is a precedent that there have to be certain criteria before you are deemed to be a legitimate political party in Canada. It may also be that at some point you must win seats in more than one province or more than one region before you get a political rebate.

I know that is not covered in the member's bill. I worry that at some point, unless a bill like this is crystal clear and the the debate is crystal clear leading up to the adoption of such a bill, somebody would try to use it as a precedent to do those certain things.

(1815)

I do not support our colleagues in the House who represent the Bloc Quebecois. I believe that deep down they are good individuals but they are terribly misguided with respect to their desire

to take the great province of Quebec, la belle province, out of the great Canadian Confederation.

However, they have a legitimate right as a political party to voice their concerns, to go out and seek support in a general election through the democratic process. I would not want to see at some future point even separatists in the province of Quebec somehow trying to use a restrictive bill like this which seeks to put parameters on legitimate political parties for the purposes of rebate to stifle political thought they found to be objectionable.

I commend the hon. member for putting thought into this bill and I hope it does go to committee so it can get some fuller debate at committee.

Mr. John Bryden (Hamilton—Wentworth, Lib.): Madam Speaker, I congratulate the member for Edmonton Southwest on Bill C–319. It is very obvious the debate has started members thinking about a very important issue.

I will approach it in a slightly different way. One of the issues it raises which is so important in our electoral process is appearances. I remember my own election campaign, which was a first experience for me since I had never run for election before, going to all candidates meetings in which there were the five major parties represented as well as another four candidates from very minor parties.

I do not reject the right of groups to try to run as national parties; I think it is fine. However, we have to draw the line somewhere. At these candidates meetings I found myself with the candidates from the other major parties speaking on issues, then having to waste my turn while these very minor parties spoke. In the case of the Natural Law Party—its members will forgive me for saying this—their platform which had to do with levitation did not really seem to fit seriously into the issues of the day.

While I agree they had the right to speak and the right to run as parties in the election, they did dilute the debate when we had our candidates meetings. They also diluted the debates when they appeared in the media. It has a responsibility to provide equal space to all candidates in an election. Perhaps the debate was not as good or as serious as it could have been. I agree we can do nothing about that.

On the other hand, I find myself supporting the member's bill on this point. If the public were to perceive, as it does, that anyone is eligible for compensation in running for election regardless of any limit in the number of votes they garner, it trivializes for them the exercise of candidacy, the exercise of running in a national election.

If the Natural Law Party wants to run for election, that is fine. If it wants to field candidates, that is fine. If it wants to use an election as a platform for promoting its particular agenda of metaphysicalism or whatever it is, that is fine too. It becomes a problem when the public perceives it is funding that type of group. This is the difficulty.

It is the same with all the other parties as well. If the public perceives a group is out promoting itself in a national election and does not have much support or has trivial support, and the government funds its election expenses because it can afford to put the money out there, then we erode our political system and the faith people have in the process.

I do support the principle of Bill C–319. We have to draw the line somewhere. Whether it should be 1 per cent, 2 per cent or 5 per cent, I cannot say. I actually rather like 2 per cent. Nine of the 14 parties that ran in the last election had less than 2 per cent of the vote.

(1820)

It is interesting to run down the percentages of those nine. Beginning with the Abolitionist Party of Canada at 0.1 per cent, the next was 0.2 per cent, 0.1 per cent, 0.1 per cent, 0.2 per cent, 0.1 per cent, .01 per cent for the Marxist–Leninist Party of Canada. It is not doing well. Then we go on to 0.6 per cent and 1.4 per cent, which was the National Party of Canada which I happen to agree had a message.

I agree with the intention of Bill C–319. The line has to be drawn somewhere. I do not know if this bill is the answer. As the member for Dartmouth and others mentioned, we should bring this to committee for further debate. In the final analysis I do not think it will affect regional parties. We will still be able to go forward with certain amendments to the bill which will make the process more efficient.

The Acting Speaker (Mrs. Maheu): Is the House ready for the question?

Some hon. members: Question.

The Acting Speaker (Mrs. Maheu): Is it the pleasure of the House to adopt the motion?

Some hon. members: Agreed.

Some hon. members: No.

The Acting Speaker (Mrs. Maheu): All those in favour of the motion will please say yea.

Some hon. members: Yea.

The Acting Speaker (Mrs. Maheu): All those opposed will please say nay.

Some hon. members: Nay.

The Acting Speaker (Mrs. Maheu): In my opinion the yeas have it.

And more than five members having risen:

The Acting Speaker (Mrs. Maheu): Call in the members.

And the bells having rung:

Mr. Boudria: Madam Speaker, there have been conversations earlier this day among party whips. If you would seek it you would find unanimous consent that the vote be deferred until tomorrow at 5.30 p.m.

The Acting Speaker (Mrs. Maheu): Is it agreed?

Some hon. members: Agreed.

The Acting Speaker (Mrs. Maheu): Shall I call it 6.30 p.m.?

Some hon. members: Agreed.

ADJOURNMENT PROCEEDINGS

[*English*]

A motion to adjourn the House under Standing Order 38 deemed to have been moved.

WORLD BANK AND INTERNATIONAL MONETARY FUND

Hon. Charles Caccia (Davenport, Lib.): Madam Speaker, on May 8 I asked the hon. Minister of the Environment and Deputy Prime Minister whether the G–7 leaders at the June meeting in Halifax will discuss the important issue of making the World Bank and the International Monetary Fund environmentally sustainable institutions.

At present, the lending programs of international financial institutions, including the World Bank and the International Monetary fund, provide mostly developing countries with over $30 billion a year in the form of loans. Too often these loans fail to take into account environmental and social considerations as in the case of dam construction.

(1825)

Closing the gap between the rich developed nations and poor developing countries must remain the principal goal of the World Bank and the International Monetary Fund. We all agree with that. However, these institutions and their initiatives in developing countries must aim at alleviating poverty while protecting the environment. That is where the point needs to be made.

In the case of the International Monetary Fund, we feel that instead of relying predominately on economic considerations, economic and environmental goals should be integrated.

As to the World Bank, while it has made some progress toward greater accountability, it still has a long way to go to fully incorporate sustainable development principles into the decision–making process. Furthermore, at every opportunity the World Bank should ensure that the principles of international environmental agreements such as the convention on climate change and the one on biodiversity, to mention two, are upheld and reinforced by its decisions.

It is my understanding that the Prime Minister intends to discuss the role of international financial institutions at the next meeting of the G–7 in June in Halifax. Therefore, in that context I would like to ask the parliamentary secretary whether he can inform us whether the urgency of incorporating the principles of sustainable development into the activities of the World Bank and the International Monetary Fund will be discussed there.

Mr. Clifford Lincoln (Parliamentary Secretary to Deputy Prime Minister and Minister of the Environment, Lib.): Madam Speaker, first let me say that the meeting hosted in Hamilton by the Deputy Prime Minister and the Minister of the Environment for the G–7 environment ministers reached substantive recommendations and conclusions.

With respect to the question of international institutions, the ministers looked at two different aspects. First, they discussed the roles and responsibilities of the primary international institutions that address the environment and sustainable development. The ministers agreed that the United Nations environment program should be reinforced in its efforts to be the global environmental voice, while the United Nations commission on sustainable development, created just over two years ago in the aftermath of Rio, should continue to evolve as a key political and policy forum to promote sustainable development principles and practices worldwide.

With respect to international financial institutions, the ministers agreed that the World Bank should place sustainable development at the top of its list of priorities and that it should operate on a much more open and transparent basis. Plans for projects funded by the World Bank should demonstrate how the principles of sustainable development will be promoted and how local participation will be a basic part of the process.

The ministers also called on the International Monetary Fund to take environmental considerations into account in its structural adjustment programs. They also called for continued work from the new global environmental facility, the GEF, on providing funding for global environment priorities and noted the important role that private capital flows will play into the future. They also indicated their intention to work with the new World Trade Organization to make sure the environment is a fundamental part of its work. In this regard, let me signal the initiatives recently taken by UNCTAD and UNEP in focusing on the environment and the economy.

The important outcomes of the Hamilton meeting of environment ministers are being provided to the preliminary process for the Halifax summit. I am certain that any consideration of financial institutions that might take place in the context of the

Halifax summit will be well informed by the views of the Hamilton meeting, which will flow into the Halifax summit.

(1830)

[*Translation*]

INTERNAL TRADE

Mr. Gaston Leroux (Richmond—Wolfe, BQ): Madam Speaker, during a previous question period, when addressing comments regarding Bill C–88 to the Minister of Industry, I suggested that Bill C–88 contained provisions which go far beyond the agreement on interprovincial trade, which gives each party recourse to retaliatory measures.

Bill C–88 appropriates powers to the federal government which were never discussed during the negotiations leading up to the signing of the agreement on interprovincial trade last summer and is also indicative of, we feel strongly, the federal Liberal government's extremely strong will to centralize trade relations with its partners. The current trend in international trade is to give regions more political autonomy and to establish economic unions, not to create big federations with rigid centralizing constitutions, like the Canadian federation, which is given an inordinate amount of power to take retaliatory measures.

The primary goal of the bill is to implement the Agreement on Internal Trade, not to permit the federal government to implant itself as the supreme power on interprovincial trade. Do not forget that the Bloc Quebecois has always been in favour of liberalizing trade in this way, which, at any rate, is the framework within which all modern states must develop. Therefore, we do agree with the agreement in principle.

The way we understand the provisions of this agreement is that, if the federal government is the slighted party in a trade deal covered by the agreement, it has the means to take retaliatory measures. By the way, so can any other party to this agreement. However, that is not what is written in Bill C–88.

Why not? Because clause 9 of the bill goes over and above the intent of the agreement. This is quite straightforward. Clause 9 reads as follows: ''For the purpose of suspending benefits or imposing retaliatory measures of equivalent effect against a province pursuant to Article 1710 of the Agreement, the Governor in Council may, by order—but the other parties may not—''

The bill refers to orders, which cannot be taken lightly. None of the other parties have this authority. Orders are used by totalitarian governments to subdue the other parties. It says in this bill that the Liberal government wants to govern by order under this agreement on interprovincial trade. Are we looking at a dictatorship? That is the question.

In this context, according to the wording of Clause 9, when one of the parties is found to be at fault pursuant to Article 1710 of the Agreement, the federal government—and it alone, among all the parties—whether or not it is a party to the dispute, assumes the right to impose retaliatory measures on all the provinces, without exception.

In this bill, the federal government demonstrates its determination to act as judge and jury in the area of interprovincial trade, to introduce its exclusive authority to act by order in council and to extend the application of any federal law to the provinces—

[*English*]

Ms. Jean Augustine (Parliamentary Secretary to Prime Minister, Lib.): Madam Speaker, the questions raised by some members on Bill C–88 last week stem from an inability or an unwillingness to understand the plain meaning of the text of the bill.

The Minister of Industry was quite clear in responding to questions in the House on May 5. Perhaps repetition at this time will help the hon. member.

Only in rare cases would the federal government be a complainant in the dispute under the agreement on internal trade. If a dispute were resolved in favour of the federal government and if the province involved refused to comply with the impartial panel findings, then the federal government could withdraw benefits of equivalent effect. Such retaliation would have to be in the same sector as the original violation or in another sector covered by the agreement. Retaliation could not involve transfer payments or social programs because those things are not covered by the agreement. Anyone who takes the time to read the head notes to section 9 of Bill C–88 and article 1710 of the agreement on internal trade can verify the accuracy of what I have just outlined.

(1835)

Remarks by Quebec premier Parizeau and Quebec industry minister Paillé on May 9 and May 10 suggest they had not bothered to do so before speaking on the issue. The repeated expressions of concern in this question by BQ and PQ representatives suggest they are unable or unwilling to understand plain and clear language.

Bill C–88 deals only with what the federal government must do to live up to its obligations under the internal trade agreement and nothing else.

At the April 12 meeting of the committee of ministers on internal trade, the Minister of Industry advised his provincial colleagues of the steps the government intended to take and that legislation would shortly be brought before Parliament.

Premier Parizeau has unequivocally supported the agreement and stressed the importance of free trade within Canada. He reaffirmed on May 9:

[*Translation*]

''The change in government in Quebec City has changed nothing. We believe in free trade''.

[*English*]

I am sure all Canadians look forward to seeing what those governments that claim to support internal free trade actually do in concrete terms.

GASOLINE PRICES

Mr. John Solomon (Regina—Lumsden, NDP): Madam Speaker, in late April gas stations across Canada raised prices as much as 10 cents a litre. It was the sixth price increase of gas in 11 months.

These increases excluding tax increases represent a 20 per cent increase in the price of gas to consumers. What is even more startling is that oil companies have seen a 40 per cent increase in their revenues once taxes are factored out in the same period.

There has been no reasonable justification by the oil companies for these repeated increases. Each year since 1991 the average daily price of crude has declined. Crude prices today are virtually the same as they were a year ago with the 11 months in between seeing lower prices.

The profits of the major oil companies including Imperial Oil, Shell and Petro–Canada have increased each year over the past three years. In 1994 Imperial Oil profits went up 29 per cent; Shell went up 43 per cent and Petro–Canada went up 62 per cent.

When gas prices have risen they have risen uniformly from company to company in each region within hours of each other. Consumers are outraged and believe strongly that they are again the victims of price gouging at the pumps and price fixing by the oil companies.

This latest series of price increases is nothing more than a cash grab by the major oil companies that monopolize the industry.

In a recent court case in Ottawa a gasoline retailer, Mr. Gas, admitted communications between gasoline retailers are common in the industry when setting prices. What this means is if smaller chains set prices, certainly the majors do.

This latest increase in gas prices represents an extreme polarization of power and wealth into one sector, multinational oil companies. This increase is also extremely bad timing for farmers who are seeding their crops.

The increase is injuring Canada's economic recovery and must be addressed. Every two–cent increase costs Canadian $750 million a year. These recent increases of six cents will take over $2 billion out of the Canadian economy in one year.

The federal government must intervene in arbitrarily rolling back gas prices until a full energy price review can take place to ensure these increases are fair and justified.

In my question to the Minister of Industry on April 28 and on May 3, the minister commented: ''When the prices are the same, it is consistent with both competition and price fixing. Therefore how do you know which it is?'' I suggest that if one does not know the difference that in itself demonstrates the need to conduct an investigation.

The House of Commons is elected to ensure Canadians are not victims of the marketplace and to ensure the interests of Canada are protected. A gas price review would send a clear message to the oil companies and to Canadians that in a key economic sector such as energy fairness must prevail and significant price increases must be justified.

The setting of energy prices is no different than the regulation of communication services. When Rogers cable or Bell Canada want to increase prices, the CRTC reviews their request to ensure they are fair and justified. Having the oil industry justify its increases is no different. Gas prices are viewed by the public as being set unfairly and unjustifiably and must be reviewed and regulated.

The government has the power to question industry on its pricing practices and to create new laws that would demand gas price increases be made only after justification.

Why do the Liberals refuse to act in the best interest of Canadians? The federal Liberal Party receives substantial donations from the oil companies. Husky Oil donated $14,000; Amoco, $27,000; Imperial Oil, $47,000. Is this the reason the government will not conduct an investigation into gas pricing? Is the Liberal Party concerned it will offend its top party donors? He who pays the piper calls the tune. The government—

The Acting Speaker (Mrs. Maheu): I am sorry, the time has expired. The hon. Parliamentary Secretary to the Prime Minister.

Ms. Jean Augustine (Parliamentary Secretary to Prime Minister, Lib.): Madam Speaker, I take this opportunity to respond to the hon. member for Regina—Lumsden on his question concerning the uniformity of gasoline price increases across Canada.

As the matter involving an Ottawa gasoline retailer is presently before the court, it would not be appropriate to comment further on that case.

No federal government agency has the authority to regulate gasoline prices. It is within the jurisdiction of the provinces. In 1994 the Minister of Industry asked the director of investigation and research at the Bureau of Competition Policy to review the provisions of the Competition Act. His report stated the Competition Act is adequate to address concerns about anti–competitive behaviour and that amendments were not required at this time. The report is public and I encourage concerned members to read it.

At the suggestion of the hon. member for Ottawa Centre we are presently studying the implications of introducing whistle blower legislation to protect industry insiders who provide information about anti–competitive behaviour in the petroleum industry. The act empowers the director to investigate allegations that prices have been set as a result of anti–competitive behaviour. Where evidence exists of a criminal offence the case is referred to the attorney general for prosecution.

It is important to realize this is criminal law and offences must be proven beyond a reasonable doubt. In the petroleum products sector uniform price increases may be the result of normal market forces; the visibility of posted prices and the homogeneity of gasoline tend to result in identical prices in a given market. It is very easy to immediately respond to a competitor's price movements up or down.

Gasoline prices should be set by competitive market disciplines. When there is evidence of anti–competitive behaviour the Competition Act authorities will take appropriate action. People with information about anti–competitive acts should bring the information to the attention of the director.

[*Translation*]

The Acting Speaker (Mrs. Maheu): Pursuant to Standing Order 38(5), the motion to adjourn the House is now deemed adopted. Accordingly, this House stands adjourned until tomorrow at 2 p.m., pursuant to Standing Order 24(1).

(The House adjourned at 6.42 p.m.)

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