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Speaker: The Honourable Gilbert Parent

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HOUSE OF COMMONS

Monday, December 9, 1996

The House met at 11 a.m.

Prayers

PRIVATE MEMBERS' BUSINESS

[*English*]

FOOD AND DRUGS ACT

Ms. Paddy Torsney (Burlington, Lib.) moved that Bill C-309, an act to amend the Food and Drugs Act (ingredients of food sold in restaurants), be read the second time and referred to a committee.

She said: Mr. Speaker, restaurants are important places in our communities. Whether for pleasure, business or while travelling, most Canadians eat out from time to time.

Families with food allergy sufferers know how confusing and dangerous this situation can be. So I am pleased today to rise in support of my private member's bill, Bill C-309, which proposes to amend the Canadian Food and Drugs Act to provide greater protection for those Canadians who suffer from serious food allergies.

When implemented, Bill C-309 would require restaurant owners to ensure that reliable information is available regarding the ingredients in their menu items. It would not seek mandatory labelling.

Before beginning my formal comments on the bill, I would like to acknowledge Mrs. Betty Lou Taylor of Burlington, Christian Taylor's mother. Christian died at the age of 17 after eating an apple turnover secretly flavoured with ground hazelnuts.

It is due in part to Mrs. Taylor's perseverance that the bill has made it this far. Mrs. Taylor has worked hard to ensure that Canadians who suffer from food allergies are protected. Through her efforts to raise awareness of the severity of food related allergies, more Canadians are informed and respectful of possible allergic reactions to certain types of food.

At 17 Christian Taylor was very aware of the effects that hazelnuts would have on him. He was careful to avoid hazelnuts.

But Christian had eaten apple turnovers in other fast food restaurants and in the absence of labelling on the package or in the restaurant, Christian assumed he was safe. His assumption and the absence of labelling cost Christian his life. Yet Christian was doing what most of us do on a regular basis, enjoying a meal in a restaurant. Unfortunately for Christian on this particular occasion eating out would have a very tragic ending.

As we discuss the advantages and disadvantages of this bill, I encourage all Canadians, whether or not they personally suffer from food allergies, to remember that we have an opportunity to ensure that we support the type of legislation that reflects our concern for the health and safety of Canadians as well as our appreciation for good common sense.

Bill C-309 meets both of those criteria. It does not mean mandatory labelling. It is a simple bill. It asks restaurant owners and their staff to take responsibility for the foods they serve and to recognize that some of their patrons suffer from something that cannot be controlled with medication but something that can be prevented with education and access to information.

The bill addresses a medical condition known as anaphylactic shock. At least 50 Canadians die in anaphylactic reactions each year. These types of reactions can be triggered by minute amounts of allergen. For example, in 1994 a student on a field trip to Algonquin Park in Ontario died from trace amounts of peanut butter which had been transferred to a jam jar. Essentially anaphylaxis is a severe allergic reaction that can lead to rapid death if untreated. Like less severe allergic reactions, anaphylaxis occurs when the body's immune system reacts to harmless substances as though they were harmful invaders.

However, instead of developing the familiar runny nose or rash, sufferers of anaphylaxis respond with extreme body reactions. The reaction may start with itching, vomiting or swelling of the lips and face. Within moments the throat may begin to close, choking off breathing and leading to unconsciousness and death.

At least 25,000 Canadians are presently at risk of food related anaphylaxis. As I mentioned, an average of two Canadians die per month due to anaphylactic reaction from food allergy.

• (1110)

One in 15 children suffers from a food allergy. Not all anaphylaxis related deaths are reported as such because they are usually

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recorded in the provincial records as death by natural causes. One in 50 adults suffers from a food allergy. Some 35 per cent to 60 per cent of Canadians are avoiding specific ingredients each and every day for a medical reason. The bottom line is that issue affects a lot of Canadians, it does not discriminate, it occurs for the young and the old. And yet what is the current legislation?

At the present time the Canadian Food and Drugs Act has provisions regarding ingredient disclosure in the food industry, but it applies only to prepackaged foods sold in grocery stores. Individuals with adverse food reactions are totally dependent on ingredient information. There are no medications or injections available to prevent these adverse food reactions, but once the reaction is under way adrenalin is needed immediately. For those who suffer and for those who know somebody who does, epipens and anakits are the two products available for those with an allergy. An epipen is a tool to self-administer adrenalin and an anakit contains benedril capsules and a double dose injection of adrenalin.

How do you prevent anaphylaxis shock? Avoidance is the only way to prevent anaphylaxis and this is where Bill C-309 can make the difference between life and death. How many people here realize that walnuts are commonly ground into salad dressings or added to dishes such as chicken or Cornish hen? How many know that peanut oil is frequently used to fry foods? It adds a nice flavour to fried chicken. Some restaurant chains have in fact built their success on its flavour, but it can kill some of our fellow citizens. How many people know that ground almond is commonly added to pastries and that ground hazelnut is commonly added because it adds terrific flavour to chocolate?

If one takes an item out of a food store there is a label and one can avoid an anaphylaxis reaction. In a restaurant one is playing Russian roulette. Bill C-309 attempts to reconcile the public safety concerns of consumers with the legitimate concerns of the restaurant industry regarding the prohibitive costs involved in the mandatory labelling of all restaurant foods.

As I have said many times, Bill C-309 does not seek mandatory labelling. It seeks to protect food allergy sufferers by giving them something as simple but crucial as access to reliable information regarding ingredients.

There are two scenarios for how it would work. One relates to the individual restaurant and the other relates to a chain restaurant. In an individual restaurant customers with food allergies or other ingredient related concerns would approach an employee in a restaurant. That employee would recommend that the person speak to the designated individual, usually the cook, to find out what ingredients are about to be used in the food that is being served them. It does not demand that they have long list. It can be as simple as saying: "I am going to cook with this oil, with this can of tuna and with this box of pasta. You read the ingredients and you make a decision". It is not hard to administer.

In a chain restaurant the customer would approach an employee and that person would either again refer to the designated employee or check in a binder of information. In some restaurants we have seen people list their ingredients on a board that people can refer to. Most McDonald's restaurants have a binder and in other kinds of chain restaurants one could rip off the end of the box that contained the buns that arrived at the restaurant for the hamburgers and if there is a change in supplier that is put in the back of the binder and people can make their own decisions.

There has been a lot of support for this bill since I have started to talk about it. There have been many days where there have been whole page articles in the *Toronto Star* or in the *Ottawa Citizen* and the *Hamilton Spectator*. There have been at least 36 municipalities, 15 boards of education and numerous national and provincial groups and associations that have specifically passed resolutions asking the federal government to act on this issue. Many Canadian schools have developed policies to protect anaphylactic children. Some have taken more drastic steps than others, banning certain types of foods altogether.

• (1115)

The federal government, in co-operation with the school board association, recently launched a booklet to help schools organize themselves around this issue. It is a terrific handbook and something that was desperately needed for schools.

The Canadian Food and Restaurant Association launched "Allergy Aware" in 1991. It is a voluntary program that requires participating restaurants to give patrons accurate ingredient information on request. Because it is voluntary, it is difficult to enforce, not well supervised and there is a very low participation rate. Not all restaurants in Canada are members of the Canadian Food and Restaurant Association.

The risks are that its campaign is not fully understood by employees. To test it out one evening, I asked someone who was proudly displaying the "Allergy Aware" sign at a convention type venue what that person could tell me about it. I was told that it was an "Allergy Aware" program. I then asked what I would hear if I said I was allergic to nuts, in reference to the food being served. Instead, the person told me not to eat nuts. Critical information was needed about the food that individual was serving me and yet that individual had no clue how the program worked.

I spoke to the Canadian Medical Association. Dr. Peter Noel in Newfoundland has been a great source of assistance, information and encouragement.

I did a survey of all members of the House of Commons and had a terrific response. Eighty-seven per cent of the MPs surveyed were supportive of this bill. Finally, and most importantly, Burlington

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residents support this bill. We received over 100,000 signatures on a petition asking the federal government to take action in this area.

What do the opponents of Bill C-309 say? They argue that some restaurants will be driven out of business because of the costs. They suggest that it is too hard to administer. To these people I suggest they consider the following. Bill C-309 does not seek mandatory labelling. Surely it is not unreasonable to expect that something you are about to be served and consumed that you should be able to get some information about what you are about to eat. It is not unreasonable to think that the chef or the cook would know what the ingredients are in the food you are about to eat. This is life or death for a number of individuals. It does not impose unreasonable costs on restaurant owners. Providing a manual is a low cost solution to a life and death problem.

This is really not about cost. This is about health and safety. Food allergy is not a trivial disease. It is not easy to manage and can be fatal. More and more people are suffering from adverse reactions to food.

This bill suggests an easy way to implement a prevention program. Emphasis on prevention allows consumers to make informed choices instead of playing Russian roulette.

We have the responsibility to ensure that where possible we are protecting the health and well-being of Canadians and those around us. Bill C-309 is about accepting that responsibility. This bill is about ensuring that no other mom has to lose a child as precious as Christian Taylor.

I hope I have the support of all members on this bill. I ask that unanimous consent be given for Bill C-309 to become votable.

The Deputy Speaker: The hon. member has moved that the matter be made a votable one. Is there unanimous consent that it be votable?

An hon. member: Agreed.

Some hon. members: No.

The Deputy Speaker: I hear a little no. I have to say that the matter may not be votable at this point.

Ms. Margaret Bridgman (Surrey North, Ref.): Mr. Speaker, I am pleased to rise and speak to this bill. Prior to this life, I spent a number of years in health care as a hospital nurse and saw a lot of situations where allergies, anaphylactic shock and these kinds of things occurred.

• (1120)

I have mixed feelings about the bill. The overall objective is very worthy, but I have some difficulties from the point of view of onus, or sense of responsibility. It seems to me that we are placing a heavy responsibility on the providers of the food, the manufacturer

or the restaurant. We must make that an equal responsibility for the individuals themselves.

It would have been nice to have heard some statistics in the previous member's speech in relation to those persons with allergies versus persons without allergies. What kind of percentages are we talking about? How many people have actually suffered from this kind of thing at restaurants and so on?

To get on to some of my other concerns, the bill as stated would require restaurant owners to make all employees familiar with the issue of food allergies, their potential serious consequences and be able to answer customers' queries about the ingredients that may be contained in the food sold in the restaurant or prepared in the restaurant and sold for consumption outside the restaurant. That is one possible scenario.

The second choice to meet this need would be to have one employee designated as having that information or making reference to it. I caution here and stress, as the member said in her remarks earlier, that we are not asking that waitresses become nutritionists and that they must have at their fingertips exactly what is in the contents of the meal.

The bill would require restaurant owners to maintain a list of ingredients of all food prepared and sold by branch restaurants. I do not know about branch restaurants. That does not seem to be too unreasonable for restaurants. I am talking not only of restaurants but deli type establishments as well, where one grabs a muffin or whatever in passing and leaves.

The thing that comes to mind here, and I cannot seem to move away from it, is that this looks as if we are assimilating the WHMIS program in relation to poisons which was introduced into the hospitals. To give an overview of the WHMIS program, basically what happens there is that in the workplace—I said it was introduced in hospitals but it was introduced in the workplace across the country—any potential hazardous material has to be listed and the appropriate action taken should an employee come in contact with that material.

Two things came out of that. One was that it was going to be a horrendous task for organizations to do this. Basically the onus went back to the manufacturers and in their instructions with the product there was sufficient information for agencies or employers to put it in their binder and have it readily accessible to all staff.

The other thing that arose out of that was the trade secrets in relation to the product. Under the WHMIS program if a company feels that their product has been violated they can take it to a committee to attempt to keep the secret. Kentucky Fried Chicken is the obvious one with the famous 11 herbs and spices in the chicken.

What has to be looked at is not the recipe actually being accessible to the waitress or designated person. We have to look at the chemicals, just as the chemicals are listed on a can that we pick

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up on the grocery store. That may help allay the problem of the secret recipe.

• (1125)

There is another plus to this. Labels have been put on products in grocery stores to better inform customers about their purchases. For example, when I make a meat loaf at home I know what is in it if I read the ingredient labels. It does not seem too difficult to move to the next step. Instead of my having to cook the meat loaf, someone else will cook it in a restaurant. But I still should be able to see the list of chemicals versus the recipe in relation to that meat loaf.

There is a great amount of concern over what this means to a waitress or a cook in relation to his or her job. It is very important that the responsibility not fall totally on the restaurant. The onus should not be on the restaurant to assure the public that there will not be any allergic reactions. That must be stressed. If the individuals have that binder, they must be aware of the products in restaurant food to which they are allergic. The restaurant's responsibility stops with the provision of the binder. That does not seem to be stressed in the bill.

This may be a bit of a moot point but there are other food sources like delis, bakeries and food courts which should be included. I would like to see the word "restaurant" expanded to include any food source. Consumers should be informed about exactly what they are buying in terms of chemical content.

Anaphylactic shock is a very quick medical emergency. In most cases there is only 10 to 15 minutes to respond. Remember in days gone by when some people would be dead within a few minutes of receiving a bee sting? Then an alternative was introduced where a person could carry a syringe along with a little ampulla of adrenalin.

Today there is another life threatening food to some people, peanut butter. I suggest very strongly for those persons with very acute allergies that they should take some sort of medical precaution. They should carry that little vial or whatever it may be. You cannot expect a restaurant to save your life if you go into anaphylactic shock or if you have any allergic reaction. Not all allergic reactions end up being anaphylactic shock. We should also be aware of which allergic reactions are life threatening when we interpret statistics.

My approach to this bill is that it has its good points and points that need more development. We talk of recipes in the bill. I would like to see that developed into chemical components of products.

For any restaurant it is quite common to standardize recipes so that the vegetable soup made on Monday tastes the same as vegetable soup on any other day. It is usually a standardized recipe and that is just economics. Instead of letting every cook do whatever, there are standardized recipes. Of course the other thing too is that the customers acquire a taste and if the food is good, they certainly will come back.

• (1130)

With a standardized recipe when someone uses the ketchup as was previously stated, it would not be that difficult to take the label off the bottle or to have it reproduced in some way and placed in a manual.

I would like to stress very strongly that I do not see the need for every waitress or even one person in the restaurant at any given time having to be learned in the nutritional aspects of whatever the food products are that are being served. If someone does choose to inquire about what is in a food product, I would like to see that the written material is available and they themselves can sit down and make the judgment decision as to whether or not they are going to partake.

Those are my main points on this subject. If this moves into a WHMIS type situation, it is a whole new debate because there are a number of problems with the WHMIS program. I would hate to see that kind of thing arise.

When we get into the nitty-gritty of looking at this, it should move from recipes down to ingredients. There should be a definite stressing that the onus is on the individual. Also, the employees should have access to the information. They should not have to qualify, explain or whatever as the onus should rest with the individual and not the employee. If someone asks what this is, it is up to that individual to know what it is, not the waitress or the cook.

Mr. Eugène Bellemare (Carleton—Gloucester, Lib.): Mr. Speaker, I would like to comment on the speech just made by the Reform Party member for Surrey North.

She seemed to have great concerns about the private member's bill of the member for Burlington. The member for Burlington wants restaurants to provide information about the content of the food they are serving so that people will not die from sudden shock which might happen with a reaction to the food.

I was surprised that the member for Surrey North was not more sensitive. She said that putting too much responsibility on restaurants is what our colleague wants. On the other hand, she said that we cannot expect restaurants to save someone's life if the person goes into a food reaction shock, that the onus is on the individual. I would suggest it is the responsibility of the restaurants to know what their products are all about because the lives of their clients might be at stake.

The member for Surrey North also suggested that we should have more statistics in order to justify this bill. This is awful. Should we have one death, 100 deaths or 1,000 deaths in Surrey, B.C., or should it be in Montreal?

People want to know what is in food.

Mr. McClelland: That is not what she said.

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Mr. Bellemare: I hear some members from the Reform Party stating that I am a little silly in my presentation. They do not want restaurants providing information to clients, obviously. They feel that in order to make all the employees knowledgeable of the food content would be an overstatement and an exaggeration of a commitment.

The member also stated that restaurants would be giving away trade secrets.

Mr. McClelland: Eugene, at least tell the truth.

Mr. Bellemare: Obviously, I must be hitting a sore spot with the Reform Party since I am being heckled from the other side. They would like to protect the trade secrets of Kentucky fried chicken. Imagine that, 11 herbs. We do not want to know about the herbs, we want to know about the contents which could create a reaction, certain nuts for example. We do not want to know the secrets, we want to know the contents which could create a reaction.

• (1135)

I hope there are more opposition MPs who will support this bill at least in principle.

People who pay for food should receive good food. They should be able to get information about the food they receive. I commend the hon. member for Burlington for her very sensitive approach to this problem.

Mrs. Daphne Jennings (Mission—Coquitlam, Ref.): Mr. Speaker, it has turned into a rather lively session this morning.

Before we go any further, I want to say that the member opposite completely misrepresented the hon. member for Surrey North. I am really sorry when that happens in the House. If we do not have honesty between us, we have nothing. We have to treat each other with decency and respect. The hon. member for Surrey North actually supported the bill with caution. I am sure that every one of us has enough good sense to say that when we hear it. It upsets me. It has bothered me since I have come to this House.

Bill C-309 which the hon. member for Burlington put forward, if implemented would require restaurant owners to ensure that reliable information regarding the ingredients in menu items was readily available to food allergy sufferers. In essence that is needed. I do not think any of us could argue with that. We need to make informed decisions. That is what it comes down to.

The bill does not seek mandatory labelling. I know a bit about that because I have put forward a bill which does seek mandatory labelling, not in this case but in others. The concern here is one of awareness. The consumer must be aware of the contents of food, especially if they have a health problem. I would agree with the

hon. member for Surrey North that those knowing they have an allergy or a health problem must also be held responsible. When I say that I am referring to something which happened.

It had nothing to do with food allergies, but had to do with McDonald's being sued because someone spilled hot coffee on them. The person who ordered the coffee spilled it. The legal claim awarded was absolutely ridiculous. It appears that none of us is responsible any more when we order a cup of coffee. If it is too hot, we can blame the restaurant. This is what I am concerned about. This is what might appear to be wrong.

The hon. member for Burlington said that restaurant owners and their staff will take the responsibility for the food they serve. Indeed, I would hope they would be willing to do so. However, the legal ramifications of that statement are what I am concerned about in light of what happened with the hot coffee which was spilled at McDonald's. That was absolutely ridiculous. Restaurants across the country are now afraid to serve hot coffee. That is a word of caution.

The responsibility has to lie with the person who has the allergy, the one who suffers. I agree with the hon. member for Surrey North. If those people could be handed a binder or something, as suggested by the hon. member for Burlington, it would be all written down. That would stop the legal responsibility and the onus would then be on the person who suffers with the allergy. That change might help. I am not sure how the hon. member for Burlington feels about that.

I agree with the hon. member for Burlington that ground nuts, peanut oil, ground almonds and ground hazelnuts are used in all of these things. Let us face it, they are flavourful, they are tasty and most of us enjoy the products which contain them. That being the case, I would like to express my other thoughts.

• (1140)

I do not think it is a surprise to anyone here that I am very concerned about where we are heading today with our food chain. I am not the only one who has grave concerns. On the weekend I watched three different television programs which dealt with it.

The member for Burlington spoke about informed decisions. That is what I am concerned about. I have two bills before the House. One concerns labelling any product that contains the hormone rBGH or rBST. That means all food products. If Canada starts to use injections of rBST, we will find that our butter, cheese, yogurt and our milk will also contain it. That is one of my major concerns. The other one is that we label any food product which is tampered with genetically. If there is biotechnology involved then it should say so on the label. It does not have to say exactly what it is. That is not necessary. But it must let the consumer know. Why?

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Today we have the flavour saver tomato which apparently has a longer shelf life. By tampering with it, we no longer have a tomato as we know it and we do not know what the results of this may be over a long period.

Salmon in B.C. are also being engineered genetically, interestingly enough with fish genes. A scientist who spoke on the weekend said that some of the side effects are that those fish are aggressive feeders. If they are aggressive feeders and are released into the wild, it is not unlikely that we would see the demise of our natural salmon because they are not aggressive feeders.

We are looking at things in canola and soybeans. Vegetarians across the country are very concerned about the soybean which is being tampered with.

When do we as parliamentarians become responsible to our constituents? When do we make ourselves aware of all these changes and do something about it? This is not a light subject. Let me say to every member in the House that this is a very serious subject.

I recently watched "Jurassic Park". I am not a movie goer, but I picked it up on TV this past weekend. It was not very scary to me, but what alarmed me was the suggestion of change in science. The question I am sure everyone got out of that movie was not can we do it, but should we do it? I am suggesting to the House that those of us who feel that the people who are concerned about these things are way to the left had better rethink where they stand. We had better be responsible for these changes, because if as elected members of this legislature we are not responsible, who is? If it is not up to us to let our constituents know when things are happening, who is it up to?

When I came to the House I did not know anything about rBST. I looked into it. People on both sides of the House told me not to worry, that there was nothing to it. Fortunately, I did not stop there. I visited universities. I visited with Professor Joseph Cummins. I took the time to find out about something I did not know about. As a result I found that rBST may be very harmful, and I say it may be.

In the United States the FDA has already approved it. Although a group of Wisconsin farmers is fighting very hard to keep their milk products labelled "no rBST". They are in the courts with this right now. And we have lifted the moratorium in Canada, but is our health body going to say at some time that it is okay to inject our cows?

I read something from Joseph Cummins this morning. He says that such concerns are not as grave as those related to new findings showing that rbGH treatment stimulates the cow to produce insulin like growth hormone, the IGF-1 factor, which stimulates the growth of cells. He says that contrary to official claims, IGF-1 in

milk is not destroyed in the human digestive system. Excessive IGF-1 causes a condition called gigantism accompanied by tumours of the colon. Tumours of the colon. Do we treat that lightly? The hormone also prevents programmed cell death leading to tumour growth. Insulin resistance leading to diabetes may follow excess IGF-1 exposure.

• (1145)

Ralph Kazer has suggested that IGF-1 exposure at high levels during fetal life and during puberty may imprint the female with abnormal IGF-1 sensitivity. That activity is believed to play a significant role in the development of breast cancer. We all know the number of people who are dying of breast cancer every year in our country. It is suggested that the IGF-1 causes too much cell division at critical times during breast development.

The bill put forward by the hon. member for Burlington is important in the fact that she is telling us of one very serious factor occurring right now in our society. I am suggesting that we cannot look at it in isolation because we are being hit every day with a group of them.

What about safety and health issues in biotechnology? This issue was put forward from Westech Microbes, which was charged with the occupational health and safety in biotechnology.

I wonder if this bill, put forward by the hon. member for Burlington, could be referred to the health committee for further study. There are so many ramifications. As members of a legislature, each one of us must make sure they are dealt with seriously. I thank the Speaker for the time and I thank the member for the bill.

Ms. Bonnie Brown (Oakville—Milton, Lib.): Mr. Speaker, I am happy to support Bill C-309 proposed by my colleague, the member for Burlington.

The debate this morning seems to be revolving around the question of responsibility; that is, who is responsible when a person dies of anaphylactic shock based on a food allergy. The proposer of the bill is suggesting that the responsibility be charged.

I do not think there is any attempt to say that the person with the allergy or that person's parents are trying to shun their responsibility at all. The problem is that in many cases they cannot accept the responsibility fully because they do not have the tools with which to exercise that responsibility.

This bill is simply an attempt to give individuals in our society the tools with which to solve their problem in a responsible way. To that end we have support in the community of 100,000 people who have suggested that indeed they want the collective responsibility of the Government of Canada to be shown through some legislation that would require people who serve food for a living to equip the people with allergies with the information they need.

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It is a moderate proposal. The bill is only asking the owners of restaurants to ensure that servers in their restaurants take the questions asked to them by customers seriously. It does not require that every server have all the information about all the ingredients of the food to be served. Rather, it requires that they understand it is a serious question and that they refer the customer to the designated person in the restaurant who has the required information. In all cases it would be only one designated employee. It would be the ingredients based on chemicals and it would not reveal the trade secrets of the merchant. There is no obligation to give amounts, just the content.

A previous speaker asked about statistics. Statistics show that 50 people a year die but there are other victims of these situations when they arise. For example, a responsible restaurateur would want to have such a system in place because the uproar in a restaurant is very distressing to his other clients who are sitting at other tables and to his staff. To be a responsible employer and protect his staff and try to maintain his good reputation with his other customers, it would seem to me that a system, a methodology that would solve this problem quickly and give people the information they want would be advantageous to all.

• (1150)

Of course we have to think about the families of these victims, the secondary victims. One cannot explain the depth of upset when a surprising event like this takes place.

The odd thing about allergies is that not everybody who has one knows. Therefore the onset of an allergic reaction is sometimes a surprise to the victim. Those people who have had odd reactions to medications have experienced this sort of thing.

We know that 35 per cent to 60 per cent of Canadians are avoiding certain foods because of medical reasons. They are acting responsibly once they know.

In summary, this bill deserves support for some basic reasons. We have this ever increasing phenomena of allergies in our society, and 100,000 Canadians are asking that this government fulfil its responsibility by a piece of legislation that would provide the information necessary to the victims.

Mr. Joseph Volpe (Parliamentary Secretary to Minister of Health, Lib.): Mr. Speaker, I would like to thank hon. members who have intervened on this bill. They have expressed some very valid concerns and have raised some very important issues.

I have to ask myself whether there is a perception out there that Health Canada and the Minister of Health are doing nothing. If that is a perception that somehow members and their constituents are labouring under, then perhaps we should dismiss that.

What we want to do is take the opportunity to review some of the activities of the health protection branch of Health Canada and of the Canadian food industry in addressing the problems of food allergies. Health Canada is concerned about food sensitivities, as I believe we all are.

Several years ago the department embarked on a national program of public education on the issue. The program includes issuing information on food allergies through various channels such as the medical profession, the provincial ministries of health and education.

Health Canada has also recognized the importance of consumer education in dealing with allergies and has produced fact sheets on sulphites and monosodium glutamate, known as MSG. These fact sheets are available to the food industry and to consumers. They provide information on what these substances are, why they can be a problem for some people and how consumers can avoid these substances. As I say, they are available to everybody, people in the industry, in restaurants and consumers.

Representatives of Health Canada have consulted with organizations such as the Allergy-Asthma Information Association and the Canadian Society of Allergy and Clinical Immunology to obtain their input on the extent of the problem of adverse reactions related to food.

Based on the results of these meetings, allergens associated with frequent or severe adverse reactions were identified. Representatives of the health protection branch at Health Canada have consulted with representatives of the food industry and the food service industry about implementing a mechanism to supply the consumer with information on the presence of reaction causing substances.

The seriousness of the problem of adverse reactions was quickly grasped by the food service industry and it began to develop a comprehensive plan to address this issue among its membership. In fact, in November 1991 the Canadian Restaurant and Food Services Association introduced a voluntary program entitled "Allergy Aware". In this program the participating outlets displayed an "Allergy Aware" symbol in their windows and a poster inside the facility explaining the program.

Ms. Torsney: Sometimes employees do not know.

Mr. Volpe: We have not taken a survey of every single employee in every single service industry but maybe the member might want to do that.

Each establishment provides ingredient information through one or more of the following: a food allergy and sensitivity chart, complete ingredient information on three or more main menu items, and/or complete ingredient information on three or more prepackaged meals.

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In addition, a senior staff member on each shift is responsible for inquiries from patrons and has direct access to recipes and the kitchen staff.

• (1155)

This program is not just limited to providing information to allergy sufferers. The program also provides information on foods commonly associated with intolerance reactions such as those experienced by some individuals to lactose or gluten. The program has proven to be very popular and has received a considerable degree of approval from the restaurant clientele and individuals with sensitivities. This program is a first in the world and has been acknowledged in the prestigious *New England Journal of Medicine*.

We have taken additional initiatives at Health Canada. They include a contribution to the development of an educational video on the problems of food sensitivities for use in training workers in food service establishments. This contribution entailed financial resources as well as expert advice and spokespersons to appear on the video.

Regulatory amendments have been passed to require the specific identification of peanut oil on prepackaged foods. Amendments have also been proposed to require the label declaration of sulphites on alcoholic beverages.

A third item is Health Canada has established a system of recording adverse reactions to food, food ingredients or food additives. Based on the information available to date it would appear that the incidence of adverse reactions to food in the general population is low. It should be at zero.

Through this recording system the department has been able to identify very specific areas where a regulatory response is appropriate. For instance, due to the potential severity of these adverse reactions to certain allergens such as sulphite, Health Canada has taken action to minimize such reactions in susceptible individuals.

Since salad bars were identified as the major source of adverse reactions to sulphites, Health Canada has amended the regulations to prohibit the use of sulphite on all fresh fruit and vegetables, except grapes, sold or served raw to consumers. Health Canada is supportive of all efforts aimed at alleviating the problems of individuals who have adverse reactions to foods.

The department will continue its educational thrust to assist consumers on the seriousness of such adverse reactions and to offer guidance to affected consumers as well as food operators.

Bill C-309 is intended I think to assist those who are afflicted by sensitivities to food or food ingredients, but we must also bear in mind the wide range of programs and activities already in place. Additionally, we find ourselves in an era when the government is

trying to reduce the number of regulations affecting various industries in Canada and we must count the cost any additional regulations may place on the food service industry. While that is legitimate I want to remind all members that Health Canada at no time is going to engage in that kind of activity at the expense of the health of Canadians. It is important that members understand that.

We believe that the programs in place now should be given a chance to develop and produce meaningful results in assisting those who are subject adverse reactions to foods.

Mr. Speaker, I thank you for your attention and for that of the members who have contributed to this debate.

The Deputy Speaker: The hon. member for Burlington may under our standing orders sum up the debate. She has about three or four minutes to do that.

Ms. Torsney: Mr. Speaker, I want to make sure that everyone understands that people are asking to take the responsibility themselves. Again, the issue is that they are not being given the tools to take responsibility.

In fact, I have been there many times over many years where people are laughed at or told no, there is no coconut in something when there clearly is coconut in something. This is not a joking matter. It is life and death. Fifty Canadians or more die every year.

The program that the parliamentary secretary has mentioned has been in place for some five years. At the time when it was done the manual said "take this seriously, folks, or we are going to have legislation". Here we are five years later, 250 more dead Canadians at least, and the government is not taking it seriously.

I challenge the parliamentary secretary to go with me to each and every restaurant within five miles of here and I doubt if we could even find one individual who knew that there was an allergy awareness program or knew what it meant. I was talking to a fellow who was serving roast beef. That has nothing to do with nuts. He could not figure out what it meant. This is a serious issue. People are asking for a tool.

• (1200)

I find it ironic, since the most common and the most deadly allergen is peanuts, that the only time the parliamentary secretary mentioned peanuts was with respect to peanut oil in packaged foods. We are talking about restaurants. We are talking about food service establishments which play with our lives each and every day. They are not giving us something we use externally. They are giving us something we use internally. This is serious. Give us the tools to make educated decisions.

Thirty-five per cent to 60 per cent of Canadians today are trying to avoid a substance in their food for a medical reason. It is not for cosmetic purposes. It is not for fun. It is not because they do not like it. It is because it is life threatening.

The parliamentary secretary is right that the minister takes this issue seriously. We are trying to work on additional initiatives together. However, it is not enough and it is not fast enough. Hon. members have an opportunity today to make a change for the benefit of all Canadians.

Restaurant owners must tell their employees that this is a serious issue. They must take it seriously and they must designate an employee or write the ingredients in a binder. The customer must be told: "This is serious. If this is life and death for you, you can make a decision by looking at this information or by checking out these packages".

It is not about disclosing recipes or quantities, it is about finding out if there is a hazelnut in the food or if the food has been near a hazelnut. It is about finding out whether it has been cooked in peanut oil. It is about finding out about sulphates and lactose and gluten, as the parliamentary secretary mentioned. It is about people's lives each and every day. It is about the Christian Taylors of this world who do not have the opportunity to ask those questions and who pay with their lives as a consequence of sometimes uncaring employees or people who do not realize the risks involved.

I ask hon. members once again for unanimous consent to make this a votable item. I would like the government to work in concert with employers and food service establishments across this country in ensuring that consumers have basic information.

We have not even begun to talk about the cost to our health care providers and the medical system to treat these cases. A physician called me to say that three times he has had to bring his child to the emergency ward of the hospital. A physician cannot even get accurate information for his child because restaurant servers do not take the issue seriously. Some of them are working very hard. They have a lot of things to juggle. They have to ensure that the right order gets to the right place. However, there should be someone who can say: "Table No. 6 has a child with a peanut allergy. How do we make sure this poor child does not die while in our restaurant?"

The hon. member for Oakville—Milton was absolutely correct. Surely owners should care whether someone is dying in their establishment. They should care what their patrons think about eating in their establishments. That has not happened.

It is costing money. It is costing lives. It is a simple matter of creating a preventive program which will ensure that people have access to information so they can take responsibility for their own lives.

Again I seek the unanimous consent of the House to make this a votable item. I thank all parties for supporting me in this initiative. Reform members, BQ members and my Liberal colleagues have been supportive in developing this legislation. If this is not made a votable item, even if it is the parliamentary secretary's job to ensure it is not, we can at least know that the public has had an

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opportunity to hear more about this very serious issue. Perhaps it will prevent some children and adults from not meeting a horrible fate.

[*Translation*]

The Deputy Speaker: The time provided for the consideration of Private Members' Business has now expired, and this item is dropped from the Order Paper.

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[*English*]

FINANCE

FIFTH REPORT OF STANDING COMMITTEE

Hon. Paul Martin (for the Leader of the Government in the House of Commons, Lib.) moved:

That the House take note of the fifth report of the Standing Committee on Finance presented to the House on Thursday, December 5, 1996.

• (1205)

Mr. Jim Peterson (Willowdale, Lib.): Mr. Speaker, I am very pleased to have this opportunity to speak on the basis of our report. I intend to speak on a number of things. First, I will look at Canada's economic record over the last three years. Second, I will look at some of the difficulties we faced as a finance committee in making the difficult decisions needed to make our recommendations for the next budget. I will then go through some of the decisions we did take and then conclude.

Looking back over the last three years, the financial record of the government and the Minister of Finance is truly remarkable. When we took office, Canada's debt was at \$500 billion. Combined with the provincial debts of \$188 billion, every single Canadian, man, woman and child, owed \$24,000.

When we took office the deficit was \$42 billion. In his three budgets, the Minister of Finance has taken us from that \$42 billion, or 6 per cent of our gross domestic product, down to a figure well below 3 per cent of our gross domestic product. In his economic statement to the House of Commons, the finance minister said that by the year 1998-99, the deficit will be down to 1 per cent of gross domestic product or \$9 billion.

When this figure is achieved it will no longer be necessary for the government to borrow from the markets to fund its annual deficit. This will mean that the deficit will be balanced in the eyes of every other country in the world because they go on the basis of financial requirements as opposed to the national accounts that we have pursued.

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Part of this has been achieved through low interest rates. Because of the minister's fiscal responsibility, Canada has been able to lower its interest rates 20 times since March 1995. Interest rates have come down by five full percentage points. It started off two and a half percentage points higher than the Americans on the short end. It is now two and a quarter points lower for short term bonds and debt instruments. We are also equal to or less than the Americans going out to 10-year bonds.

Foreign borrowing requirements, which were the highest of the G-7 when we took office, are now being brought under control. This means that a degree of economic sovereignty has been reintroduced into the fiscal process. International financial markets will dictate to us less and less in terms of what Canada can and cannot do. This is so important in giving us the options for the future to set our economic agenda.

Over this period of time economic growth has increased. The Bank of Canada now recognizes that next year the economic growth rate will be 4 per cent or greater. This will be the fastest rate of economic growth of any of the G-7 countries.

In spite of all of this good news, one of the very difficult and agonizing facts of life is that unemployment is still very high at 10 per cent. If members from every side of the House could have one wish, I am sure it would be to see that every Canadian who wants a good job has a good job.

• (1210)

What is our record in spite of this very sobering fact about unemployment? Over the past three years, Canada has created 644,000 net new jobs. This is not to be scoffed at. This is at the same time that the federal and provincial governments have been going through incredible downsizing and unfortunately having to lay off public servants.

When we look at the record of 644,000 new jobs, what has happened in other countries in the world? Those 644,000 new jobs created in Canada is 87,000 jobs more than the four European members of the G-7, more than Germany, England, France and Italy combined over the same period of time.

The growth in jobs in the United States has been about comparable to that of Canada. We still have a huge gap. Therefore the finance committee of the House of Commons asked Professor Andrew Sharpe to come before us because of the work he had done in putting together a number of research papers and economic thinkers in this area.

He explained to us that the Canada-U.S. unemployment gap can be explained as follows. Seventeen per cent of it is definitional because United States does not count passive job seekers. Eight per cent of it is because the U.S. has about four times as many people

incarcerated in jails and prisons. Naturally, these are going to be the people with the lower educational levels and the ones who would not likely fit as readily into the job market. That accounts for 25 per cent.

Fifty per cent of it is because of the cyclical weakness in the Canadian economy and the output gap we have vis-à-vis the United States. The remaining 25 per cent, he explained, was largely due to structural differences, namely higher benefits for the unemployed and second, different immigration policies.

We do not take any consolation from this because we realize that what we have to do is get more and more Canadians back to work. This has to be our major priority and preoccupation.

How can we best do this? We are seeing how the low interest rates are now creating incredible benefits for Canadians. We are seeing how the decrease in interest rates have resulted in a saving to a homeowner on a \$100,000 mortgage of \$3,600 a year.

We have seen how this decrease in interest has resulted in a decrease in the cost to a person buying a car on time of \$525 a year. That is a \$15,000 car. This decline in interest rates has resulted in savings to a business person who is borrowing \$1 million a year of \$34,000.

It is critical to the economic progress, to the increase in the growth rate and to job creation to maintain a course of monetary and fiscal policy that will ensure low interest rates. Nothing can do more to help create jobs in the future.

• (1215)

Over this period of time we have been in office, the Minister of Finance has had a record of achievement unparalleled in my generation not only in terms of the things I have talked about but in meeting his deficit targets and reintroducing a sense of credibility into the office of the Minister of Finance.

In the past, deficit targets had not been met. They never were. They were done on a five year rolling target basis where governments typically put off the difficult decisions until the fourth and fifth years. On the other hand, our minister has stuck to the two year rolling targets and in every year has not only met his deficit target but has surpassed it. His last deficit target of some \$32 billion for 1995-96 he surpassed by more than \$4 billion.

We in the Finance committee had to deal with the issue of what we do now that we are in a surplus position vis-a-vis our deficit targets. We had three alternatives. One was to use these surpluses to further reduce the deficit and eventually perhaps start to pay down our enormous and growing debt load.

The second one which many people called for was to introduce at this time a major tax cut. We had many suggestions as to what the tax cut should be.

A third option, urged on us by many, was to increase expenditure programs. One big item where we were called upon to increase expenditures, including by the official opposition, was in transfer payments to provinces.

We wrestled with all the options that were open to us and we felt that on balance we have come up with an approach which is balanced. We must above all else continue to finish the job of meeting and surpassing our deficit targets. But because we do have a little room to manoeuvre and subject to an update of economic circumstances before the next budget, we have suggested targeting six different areas. Those selected target areas were selected based on our Canada wide consultations, listening to Canadians and hearing their priorities, and also as members of Parliament listening to what we have heard in our constituencies and from our own colleagues.

The six areas we have chosen to target for action in the forthcoming budget, all within the context of finishing the jobs we have started, are the following.

First, children and poverty. We have suggested that the working income supplement might be increased in order to target the children of the working poor. Families that are among the working poor, as we heard before our committee, often have benefits of \$3,000 a year less than those who are on social welfare. This creates the welfare wall, a disincentive for those on social welfare benefits to go into the workplace.

Second, we have targeted Canadians with disabilities. Over the past number of years, decades, the benefits going to those with a disability have eroded mainly because of the lack of indexation.

● (1220)

A wonderful job was done by the hon. member for Fredericton—York—Sunbury and his task force in identifying the increased cost that people who have a disability suffer simply because of that disability, increased costs which can prevent them from becoming active members of Canada's economy. We have called for modest measures to help recognize the added costs of those with disabilities.

Third is the area of literacy. We were shocked to learn in our deliberations that 42 per cent of Canadians do not possess the literacy skills necessary to deal with basic reading material such as newspapers. Even more shocking, only 22 per cent of Canadians have the highest literacy skills which are required in the new knowledge based economy of the future.

We owe a great deal of credit to Senator Joyce Fairbairn who established the Secretariat for Literacy which mobilizes thousands upon thousands every year to deal with this issue of literacy. We have called for substantial increases in its small budget which is only \$22.3 million.

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Fourth, we have asked that consideration be given to helping students who are bearing highly increased costs to get their own education. We have suggested three income tax measures which could help recognize the increased costs of tuition and attending a post-secondary institution.

Fifth, one of the great reasons that we have this huge unemployment gap with the United States is, as Dr. Andrew Sharpe pointed out, the problem of our output. It is basically a question of productivity. Since the 1980s Canadian productivity has not gone up and this is the major reason for our high unemployment.

One of the reasons we have not had this increase in productivity is that Canada does not fare well by international standards when it comes to our level of research and development. We feel it is important to target research and development and science and technology at this time. We have called for three different measures.

The first is to renew the program which funds the Networks of Centres of Excellence. According to George Connell, who appeared before us, this program for the Networks of Centres of Excellence is the most effective instrument yet discovered for capturing the benefits of academic research for the advantage of the Canadian economy; universities and businesses collaborating on a nationwide basis to apply our basic research and get it commercialized.

Second, we have called for increases to Canada's three granting councils. These are the Medical Research Council, the humanities council and the NSERC, the engineering council and science and council. They grant moneys to post-secondary graduate students in our universities to help them do their research on a post-doctrine basis. It is one of the most effective programs we have for ensuring that we have highly educated people here in Canada who do stay here to do their graduate work and hopefully afterward.

Third, we have called for a new type of infrastructure program.

● (1225)

Infrastructure one was good. Six billion dollars was mobilized in the three levels of government to replace wasting infrastructure at the municipal level. This was a concrete and mortar type of program. We of course cannot afford that type at this time.

We have said we should have a new type of infrastructure investment in our future going into our research and development facilities of our universities, hospitals and other research institutions. The Government of Canada would put up one-third and another one-third could come from the other levels of government or the private sector. This is the type of infrastructure that would

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create short term jobs during the building, yes, but even more important, it would give rise to an expanded base for R and D in Canada and the creation of those long term jobs which conduce to our productivity and our economic future.

The sixth area where we have asked the government to target in the next budget is the voluntary and charitable sectors. We have had enormous cutbacks over the past three years. We realize that many Canadians have seen their programs diminished. Many Canadians have suffered as a result of that. We take no joy in that.

However, at the same time, we have seen a renewed commitment by the voluntary sector to help make this a better and stronger country. Over six million Canadians every year volunteer their time and efforts to help their fellow Canadians. This amounts to about a billion hours of contribution in terms of work. That is the equivalent of 617,000 full time workers or 5 per cent of all jobs in Canada.

An hon. member: At what salary?

Mr. Peterson: At zero salary, contributing their knowledge, their time and their efforts to help their fellow Canadians.

At the government level we have had to cut back because of economic necessity. We are now calling on the government to increase the tax incentives available for charitable donations in order to help these voluntary organizations and charitable agencies. They impact so vigorously on the lives of each one of us.

We have looked at a number of proposals. We have 10 recommendations. Some are designed to help the major foundations and our major institutions in health and the arts get some endowment funding, but they also apply right down to the United Way and the smaller charities; enhanced tax incentives which we believe will not be costly but will help to mobilize the funds to enable the voluntary and charitable sectors to do those things which government no longer can do.

Having discussed these six priorities, children in poverty, the disabled, literacy, students, research and development and the charitable and voluntary sectors, let me go back to talk a little about our tax levels in general. There were many people who came before us and told us that we had to reduce their payroll taxes and income taxes.

Since 1980 Canada's overall level of taxation in relation to the size of our economy has gone up about 20 per cent, whereas in the United States it has remained fairly constant. Overall now we are about in the middle of the G-7 countries in spending, with 35.4 per cent of our GDP coming from taxes. In the United States, however, this figure is 27.6 per cent, 30 per cent lower than in Canada. This is the group we have to compete with because 80 per cent of our trade and investment is with the Americans.

• (1230)

When we look at the individual taxes, in Canada our personal income tax rates are 13.4 per cent of GDP whereas in the United States they are 9.8 per cent. We are significantly higher in terms of personal taxes. In terms of corporate taxes, our level is just the same, 2.5 per cent of GDP. In terms of payroll taxes, we are actually below where the Americans are. We are at 6.1 per cent of GDP and they are at 7 per cent.

With respect to the necessity for being competitive in terms of job creation, our corporate taxes are comparable to those in the United States in terms of overall levels and our payroll taxes are actually lower. This is one of the reasons we cannot conclude at this time that we actually need a cut in payroll taxes in order to be competitive. What we have done—

Mr. Silye: Their taxes are 30 per cent lower.

Mr. Peterson: Mr. Speaker, I will be happy to talk to the hon. member from Calgary afterward and respond to his concerns. I am always delighted to hear from him.

Look at what we have already done in terms of payroll taxes even though we have a lower level of payroll taxes than the United States. Since we have been in office, we have taken six major reductions in those payroll taxes.

We reduced the statutory formula which would have taken us from \$3 to \$3.30 and we held it at \$3. We reduced the rate from \$3 to \$2.95 in 1996. Just recently the minister announced that it was going from \$2.95 to \$2.90. Every time we reduce it a nickel, it costs us \$350 million. We reduced the maximum insurable earnings from \$875 to \$750, again for monstrous savings. In December 1995 we gave premium relief for small businesses and we extended that again last year. The sum of these six reductions has been to reduce payroll taxes by some \$4 billion since we have come to office.

We recognize there is a surplus building in terms of employment insurance. We recognized that but we said that because of our priorities in order to be competitive we do not have to further reduce the payroll taxes or the corporate taxes because when we combine them they are already lower than those in the United States.

Where we have really high levels is in terms of our personal income taxes. We heard from the scientific community and the high tech community how these high levels of taxes in Canada are hurting us. We have heard, and the finance critic for the Reform Party has mentioned this many times, that Canadians with an income over \$50,000 constitute 10 per cent of tax filers but they pay 50 per cent of the taxes. We also heard that a single wage earner earning \$6,500 is also on the tax rolls.

Our priority as a committee was to say that because our personal income taxes are out of line, in the future when we might be able to afford cuts, which we cannot afford today and we did not

recommend them for today, our priority for tax cuts would be in terms of personal income taxes. What did we recommend in our majority report? Apart from targeting the six priority areas I mentioned, we called for minor tax reductions.

Again this year as last year we called for income averaging for people whose income fluctuates significantly from year to year and they suffer a tax penalty, people such as artists and writers. We have called for extending the deduction for medical and dental benefits to those who are self-employed. We called for abolishing the tax on jewellery, the 10 per cent excise tax and we looked at some other measures such as ones dealing with heritage property and the high cost of mechanics tools for those who are required to purchase them before they can get a job in a garage.

• (1235)

We called for tax increases as we did last year in terms of tobacco. We want those taxes on tobacco products to go up just as quickly and as often as circumstances relating to smuggling will permit. We know it is a deterrent to the iniquities of smoking. We have called for a tax on lotteries, a 15 per cent withholding tax on winnings from government run lotteries of anything over \$600, as we did last year. We have also asked that the government consider a few other measures.

We recognize that big businesses are not going to be the job creators of the future in Canada. Job creation will largely fall on our small and medium size enterprises. We are still concerned about the role of our financial institutions in providing financing for small business start-up, equity and operating capital. We are pleased to note that this year, due largely to blandishments from the Minister of Finance and from the industry committee, the banks have taken very seriously their role of providing funding to small businesses. I compliment the banks on the number of steps they have taken in this area.

We have seen a tremendous blossoming of the labour sponsored venture capital fund. There is now \$3 billion available to help small businesses get started, to expand and create jobs. We urge those who cannot get money from traditional lenders to take a look at this fund.

We are pleased that the business development bank has extra capital of \$350 million. We were pleased that a group we recognized last year, the Calmeadow foundation, under the leadership of Martin Connell has increased its efforts to lend money to the small entrepreneur. We call it micro lending. It is for the person who needs \$3,000 or \$5,000 to get into a business. We commend these efforts and the steps taken in concert with our financial institutions to try to institutionalize this type of initiative, to take it beyond just the simple efforts of Calmeadow. This means co-operation with the banks.

Our finance committee recognized in its report on financial institutions which was tabled in this House in October, that it would

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be very helpful to consumers and small and medium size businesses if we increased competition. We have asked that Canada's doors be opened wide to foreign lending institutions, that the administrative barriers be removed. This will help meet the future needs of our small businesses.

We have also said that one of the biggest bangs for the buck we can get is through encouraging foreign direct investment in Canada. We recommended this last year and the government has taken steps. I understand there are now about 15 individuals working directly on this.

Studies done by KPMG Peat Marwick Thorne and others have shown that cities right across Canada have a competitive edge over American cities as places for new foreign direct investment. We have to get this message out to the big companies and investors right around the world. We recommend expanding these efforts to attract direct foreign investment in Canada which would create jobs here. We have such an incredible product to sell.

We heard from many Canadians, not just those in the voluntary and charitable sectors, who are making a tremendous difference in the lives of Canadians. There is one person in particular who came before us, Mr. Charles Pielsticker from Toronto.

A couple of years ago Mr. Pielsticker realized that business was not getting involved with our educational institutions so he formed the Learning Partnership which is funded basically by business contributions. It is doing many things, for example taking kids to work for a day, which involves hundreds of thousands of kids and their parents; and having volunteers work with teachers in public schools to help them teach science. This type of thing is all done on a voluntary basis.

• (1240)

A woman who is doing the same type of thing also appeared before us. It is another voluntary organization which teaches science to teachers to make it particularly interesting for their students. Again, it was another volunteer driven organization. We commend these people for the type of leadership they are giving us.

We heard considerable cries for Canada to increase the payments for transfers to the provinces. This came from the official opposition. Part of the cutbacks we have had to do unfortunately fell in the areas of post-secondary education, health care and helping those who are on welfare. Like everything, they had to be cut or we would not have got to our targets.

It was our finance committee having listened to Canadians a year and a half ago said that we cannot cut all the cash transfers, we have to have a minimum cash base in order that we can as a federal government ensure the five principles of the Canada Health Act are adhered to. We saw how the Minister for Human Resources Development went across the country talking to his provincial counterparts to try to get agreement on the principles that underlie

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the CHST to the provinces, the transfers for health care, welfare and post-secondary education.

As Judith Maxwell who appeared before our committee said, we can no longer impose these federal standards unilaterally. We have to work in dialogue and in co-operation with the provinces. This is what she called the management of our interdependence. We encourage the government in its efforts to do this. This is so important, particularly in terms of the Canada Health Act because we all know that health is critical to Canadians but good health is also good for our economic future.

Tax harmonization was an incredible theme we heard going right back to the summer when we met with people working with the task force headed by Dr. Jack Mintz. He was appointed by the minister to look at our business taxation to see if it was competitive.

We heard in testimony before us how one corporation with four affiliates had to file 1,100 pages of tax returns. This is insane. Why should we have provincial and federal income tax, capital taxes, sales taxes, excise taxes and different payroll deductions, different administrations, different tax laws and different enforcement officers going in?

Canadians said: "We are only 30 million, we cannot afford it as taxpayers. We cannot afford it as companies that have to comply. Get your act together. You are politicians. You can agree on similar harmonized laws in all these areas. We expect you to. We expect nothing less of you. We do not want these petty jurisdictional turf wars". This is why we want a national securities commission. Why do we need 11 or 13 different jurisdictions dealing with securities in this country?

We heard from Canada's cultural industries. Our cultural industries employ one million Canadians. They contribute \$30 billion to our gross domestic product. One of the wonderful things about people who are artists, performers or whatever, is that they do not need high paying jobs. They have found ways to cope and to supplement their income. To create a new job in the arts costs only \$20,000. But these are the people who give us a *raison d'être* for being Canadian. They are the ones that give us the heart and soul of what we are. We cannot do without our culture.

• (1245)

We encourage the government to look at a number of the measures we have suggested. In particular, we feel that the recommendation for vastly enhanced tax incentives for charitable donations are the ones which will impact very directly on the cultural industries and will give them the multi-year stable funding they need in order to plan for the future.

In closing, I would like to thank all members of the committee from all parties who worked so co-operatively. I thank the incredible staff of the House of Commons who arranged the meetings, the researchers, the person who advises on the text, Mr. David Abbott, people in our offices who worked with us.

Mostly I would like to thank Canadians. The last three to four years have not been easy. We have had to cut back in order to restore fiscal health and to protect the programs and the way of life which we consider to be so important. It is Canadians who have had their programs cut and have been the ones who have suffered. They have borne with us and shown a fortitude, an acceptance and a generosity of spirit toward their fellow Canadians and toward one another in sharing the burden we have imposed.

We must not detract from the overall goal of keeping on a sound monetary and fiscal track so the deficit targets are met and surpassed. In the meantime, because we have exceeded those targets to such a great extent, we believe it is good for the economic future but it is fundamental that we make some strategic investments at this time. These investments will introduce greater fairness into the system and are critical for a vigorous economic future. I am talking about investments in disadvantaged children and those with disabilities, in literacy, in students, in research and development and charitable and voluntary sectors.

I thank members for their indulgence and I look forward to the debate.

[*Translation*]

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ): Mr. Speaker, thank you for allowing me to speak in the debate on pre-budget consultation. I will start by addressing two remarks to my Liberal colleague, the chair of the finance committee.

The first is that it is very difficult for the official opposition to buy the compassionate speech made by the hon. member, since, for the past three years, this government has been trampling on the clientele he claims to defend on behalf of his government.

For example, as far as assistance to students is concerned—this was one of the recommendations in the Liberal majority report—along with assistance to the sick, to the most disadvantaged in our society like welfare recipients and the least well off, and to the unemployed, as well as job creation, we have trouble believing the sincerity of the hon. members across the way for one simple reason: this clientele, the most disadvantaged, has been attacked by the government.

The cuts this government has implemented in the past three years in the Canada social transfer were intended precisely to reduce transfers in the areas of social assistance, postsecondary education and health.

• (1250)

We judge the government not on the wish of Liberals that appears in the Liberal majority's report, but on the government's actions. In the last three years, these actions consisted in bullying people who are among the neediest in Quebec and Canada.

The second remark on which we can agree partly with the chairman of the Standing Committee on Finance concerns the government's performance in terms of sound management of public finances.

When we compare these results to what we observed three years ago, there certainly are notable differences. But, we must also say that four factors contributed to these results, and they have nothing to do with the Minister of Finance's sound management. They have nothing to do with the government's sound management. And this sound management played only a minimal part.

Four factors contributed to the situation. First, the situation in the U.S. When the U.S. is doing well, chances are Canada will also do well. In the last three years, the situation in the U.S. was conducive to economic growth in Canada, to an increase of Canadian exports to the U.S., which helped our economy.

Second, the situation in Canada, which is clearly influenced by the situation in the U.S. In the last two years, the interest rates have dropped in a way we had not seen for years. However, this drop was attributable partly to the situation in the U.S. and partly to the problem of underemployment in Canada, where the unemployment rate is higher than 10 per cent, where people work less, where they consume less, where inflation is lower, and, consequently, where interest rates are lower. This is not a result of the government's policy.

Third, the massive cuts in transfers to the provinces. It is easy for a finance minister to say: "I am putting our fiscal house in order so I am not giving you any more money". That is what this government and this finance minister have done. One of the largest contributions to the objective of putting the federal fiscal house in order was cutting transfers to the provinces. It gave the federal government some room, but it made it hard for Quebec, for example, to put its own fiscal house in order.

I remind you that Bernard Landry, Deputy Premier and Minister of Finance, said recently—and we do not repeat it often enough—that if it were not for federal cuts in transfers, the Quebec government would not have a deficit today. It would be a zero deficit. It is easy to say: "We will meet and even exceed our objectives".

Fourth, and this is not insignificant, the finance minister and his colleague, the chairman of the finance committee, can brag all they want about this excellent performance with regard to the sound management of public finances, but it does not change the fact that,

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without a \$5 billion surplus in the unemployment insurance fund, the finance minister would not have the same results. And that surplus did not come from his contribution or his government's contribution, but from the contributions made by employers and employees to the unemployment insurance fund.

The government took this \$5 billion surplus in the UI fund and instead of spending it, or at least part of it, to create jobs, applied it to deficit reduction. This is easy to do. Anybody could have done as well or maybe even better than the finance minister.

When you look at the overall spending cuts, the largest savings come from cuts in transfers to the provinces and to individuals. This is how the government has put its fiscal house in order. Cuts in departmental operating budgets over the last three years represent about 17 per cent of the overall cuts. It is not much.

With regard to sound management of public finances, the government could have done a lot better, which is what the auditor general has been telling us for three years. Recently, he also reminded us that there were significant shortcomings in the management of public funds and public stocks.

The fact that Quebecers and Canadians have been paying more taxes in the last three years is not mentioned, even though that fact goes hand in hand with the situation I was describing earlier and with getting our public finances in order. Did you know that in the last three years, the individual tax portion of the federal revenues increased by 17 per cent?

Quebecers and Canadians saw their federal income tax increase by 17 per cent in the last three years but their personal revenues increased by only 7 per cent. That means that after three years of Liberal management of public finances, Quebecers and Canadians are poorer. Federal taxes increased faster than individual taxpayers' wealth. And the Liberal majority's report boasts about the government's accomplishments.

• (1255)

We made recommendations to the Minister of Finance about what he should put in his next budget. If I may, I will describe these recommendations briefly, for the benefit of members and of those watching.

The first recommendation made by the official opposition—and I see the chairman of the finance committee across from me, perhaps to intimidate me, you never know—was to say to the finance minister: You have managed to come up with some leeway. We may or may not agree on the means, but you have come up with some leeway. Furthermore, in the Liberal majority report, this point is emphasized, and I quote: "This year, after two thirds of the period, it is virtually certain that the government will exceed its objective; a deficit of \$24.3 billion, or 3 per cent of GDP".

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As a result, and I mentioned this earlier, we look to the federal government and see some breathing space; we look to the provinces, however, and they are scrambling. Only the provinces, Quebec in particular, have found ways of balancing their budgets.

I was telling you earlier that, after three years, the government had slashed provincial transfer payments for social assistance, postsecondary education, higher education and health. These are areas that come under provincial jurisdiction. Just like that, the government decided it was making cuts, despite its bilateral contract with the provinces.

We are, therefore, asking the Minister of Finance to do everything within his power to restore part of what he has sneaked away from the provinces in order to solve his own public finance problems, so as to allow the provinces a little more leeway. That is the first recommendation. I might make an aside here: while he is at it, he could perhaps allow Quebec a little leeway in order to compensate it for having harmonized its provincial sales tax with the federal tax, since it has received no compensation whatsoever, unlike the three maritime provinces with their billions in compensation. Perhaps it is time for him to give some thought to some form of compensation for the Government of Quebec.

The second suggestion we made to the Minister of Finance, in our dissenting opinion accompanying the Liberal majority's report on pre-budgetary consultations, was to use part of the surplus generated by the unemployment insurance fund, not to absorb his deficit but to promote job creation. And as we suggested many times to the Minister of Finance, that is what he should be doing. The position taken by the Bloc Québécois, the official opposition, was supported by the Canadian Chamber of Commerce. We asked the Minister of Finance to substantially reduce employer and employee contributions to the unemployment insurance fund. When we say "substantially", we mean up to 60 cents for every \$100 of insurable earnings. That is not peanuts, not 6 cents or 7 cents, but something substantial that could boost job creation.

The contribution rates to the unemployment insurance fund have a significant impact on the capacity of businesses to create jobs. This is a payroll tax, a tax on employment.

Yet, despite the efforts of the government—and I do recognize, as the chairman of the finance committee said earlier, that there has been a light reduction—we are talking about a significant reduction, which is extremely urgent, in my opinion. The situation is getting worse every day. Despite the number of jobs created in the last three years, we still have a deficit of 900,000 jobs. It was 850,000 jobs one month ago but the most recent data indicate that we would need up to 925,000 new jobs to regain the level of activity and the rate of participation in the work force that we had before the 1990 recession. We are unable to create jobs, which should be our absolute priority.

Speaking of which, in our third recommendation, we suggested the finance minister reform the corporate income tax system. We in

the official opposition were very happy and flattered when the finance minister took note of the corporate tax expenditure analysis we released three weeks ago. We conducted an extensive analysis of tax expenditures. For the sake of our listeners, tax expenditures are any means available to Canadian corporations to avoid paying taxes or to have them deferred.

Some tax expenditures are quite appropriate and still relevant in view of the way Canadian businesses have evolved. However others, according to our analysis—analysis which, I will remind the House, had not been carried out for 25 years—should be scrapped. Others yet should be streamlined in order to redirect the potential savings through the years toward job creation support. This is what the Bloc Québécois did. This is what the official opposition did.

• (1300)

We have worked on this analysis for weeks. I will remind you that there had not been a comprehensive analysis like the one carried out by the Bloc Québécois over these many weeks since the Carter Commission in the mid-1960s.

We have analyzed 30 tax expenditures, or 30 ways businesses can avoid paying taxes for various reasons, some good, some not so good, depending on the economic situation and the times. Of these 30 expenditures, 22 were identified as warranting further analysis, because of their importance either in explaining federal government revenue losses or for their impact on both Quebec and Canada, according to the tax experts we consulted. Of these 22, 12 were the subject of an in-depth analysis and led us to make recommendations to the Minister of Finance three weeks ago.

This close scrutiny of corporate taxation has shown that federal government revenues could be increased by up to \$3 billion per year without raising the corporate tax rate, without increasing the tax burden on small business. Simply by redefining objectives, we could use this \$3 billion to create thousands, if not hundreds of thousands of jobs.

Let me give you just one example. One of these tax expenditures is the partial tax exemption on capital gains. This is offered to both corporations and individuals but we had given ourselves the mandate of reviewing corporate taxation; personal taxation will be next.

Let us get back to fiscal spending. On every dollar you earn as a private citizen, you may have to pay as much as 40 per cent in federal and provincial income tax. This dollar is the basis on which your income tax is calculated.

However, if you make one dollar in capital gains, only 75 cents of this dollar is taxable at a rate of between 19 and 20 per cent. Twenty-five per cent of this capital gain, for instance, if you have

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shares and each share earns a dollar, 25 cents of this dollar is not taxed at all.

Wage earners who pay income tax cannot shelter part of their income from the tax tables. However, in the case of wealthy people with a lot of capital, especially companies with portfolios of shares which increase in value, only 75 per cent of the value is subject to a minimum tax on capital gains.

This measure made sense until the wealth tax was abolished. When this happened, there was no longer any need for the capital gains exemption. It was the subject of heated discussion under the Conservative government, not so much under the Liberal government, because they did not have the same political will to deal with problems where taxation of the rich is concerned. They are worse than the Conservatives, and sometimes more astute.

We can say that under every government there has been a heated debate around this exemption. The conclusion was always a rational one. And the conclusion we heard from the tax experts was that it made no sense to maintain this exemption.

So we suggest abolishing this exemption, which would allow the federal government to collect around \$400 million in new revenue without increasing the tax burden on corporations or private citizens. The exemption should not exist because it makes no sense at all and costs the government a half billion dollars annually. All the tax experts we consulted, without exception, told us that this measure was entirely unfair.

Another area where we asked the Minister of Finance to act, and I am still on subject of corporate tax reform, is the whole issue of deferred income tax. As you know, businesses in Quebec and Canada have the option of deferring their income tax for seven years and also the option of going back three years, and I am referring to taxes they would normally have to pay because of their profits.

• (1305)

Deferring income taxes is not a bad principle per se; we think it should be upheld because new companies could need some help in starting up for example. Profits made the first year should be ploughed back into a business since this increases profitability and efficiency.

There are also companies which operate in very cyclical sectors. They can make considerable investments for two or three years and see the results only seven years down the road. At the end of the seventh year, they have to offset the loss of income from three years before. That is normal.

However, added to other provisions of the corporate tax legislation, the system creates situations where some very profitable

companies never pay a single penny in income tax, year after year. Some business people even boast about it. That is not normal.

The amount of deferred income tax accumulated to date is certainly not trivial; it stands at \$36 billion. This is \$12 billion over and above next year's deficit according to the estimates of the finance minister.

It seems to me we could strengthen the rules so that one day profitable businesses, most of them large corporations, will have to pay at least part of what they owe Revenue Canada.

Those are two examples of tax reform that we have proposed to the finance minister in order to help the government put its fiscal house in order and, most of all, to support efforts to create jobs.

Besides, now that some of these tax expenditures have been tightened or abolished, we urge the government to adjust some of them so that small and medium size businesses as well as VSMs or very small businesses—which have created the most jobs in the last ten years—can continue and be encouraged to create even more jobs, since we still need about 1 million jobs to get back to the conditions that existed before the last recession.

Fourth, we recommend that the federal government immediately launch a review of individual income taxes. We came to the conclusion, and the Liberal majority report agrees with our concerns, that individual income taxes have reached a ceiling. The underground economy problem is related to that. We should undertake a comprehensive review of our tax system.

It is perfectly useless to make suggestions right and left the way Reform members have been doing. Besides, that is all they have been doing ever since we came here. There is no point in making piecemeal proposals to reduce personal or corporate income tax before a very probing assessment of the situation is done.

We had an opportunity to sort out the problems in the personal income tax system. Major changes may be in order, because there has not been a comprehensive review of this system since the Carter commission in the 1960s. We do not advocate lowering or increasing taxes. Certainly not increasing them.

There are still loopholes in the personal income tax system, and some very rich taxpayers—with taxable revenues of \$200,000 to \$250,000 and more—still do not pay their fair share. There are some gross inequities between these wealthy individuals and the people who make from \$30,000 to \$125,000.

We are currently carrying out an in-depth review of individual taxation. We are also developing options for families, single people, the elderly, etc., to be applied before and after the reform we will put forward. We will prepare very succinct options, because the government is not doing its job.

For three years now, we have been asking the government to review the tax system and all it ever had to say was that it was

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going to set up an expert panel to examine the corporate tax system. A few weeks ago, the government announced that it was postponing this review until after the election.

In terms of individual taxation, nothing was done. The government does not want to address that issue. Maybe there are some people around the government who benefit from these loopholes, we do not know for sure. But the lack of political will is quite obvious.

What are we going to do? We will do as we did for the corporate tax system. We will suggest to the minister ways for him to do his job.

• (1310)

We will also give him some hints on ways to make the individual income tax system fair and equitable. Who knows, maybe we will go as far as to suggest a reduction of the individual tax burden. But that would require an in-depth review, so we urge the Minister of Finance to at least consider that option for his next budget, because he has been at it for three years now. He is just coasting along, carried by the economic conditions, with the four main factors I mentioned earlier, without making any great effort to try to put his own house in order. Maybe the time has come for him to take a good look at his own back yard.

Speaking of his own back yard, the auditor general—and this is our fifth recommendation—raised serious questions in his last report about good management of public finances by this government. Referring to stock management, among other things, the report mentions excess spending of \$1.25 billion. This is not normal. This government is boasting about being a good manager. There is a limit. I will show that this government has nothing to boast about.

As I said earlier, as a result of the government's effort to put its fiscal house in order, the real reduction in spending in departments and crown corporations represents between 16 and 17 per cent of the effort of the last three years. It did not play a major part. It should have but it did not.

The sixth recommendation of the Bloc Québécois proposes that the finance minister—and it should be one of his major efforts—review in a minor, non-disruptive way, the inflation targets of the Bank of Canada. The government has had the power to do so since 1967. While leaving the Bank of Canada as much autonomy as possible, the finance minister does have the power to establish a general direction for general inflation targets, for instance. He does have that power.

Moreover, the Liberals, in the Liberal majority report, acknowledge—and I see the chairman nodding, although I do not understand why there was no recommendation on this, yet he is nodding.

I quote the Liberal majority report: “The tightening up of Canada's monetary policy aggravated the 1991 recession, but it had two other consequences as well: it produced the very low rate of inflation we have at the present time, but it also led to the high unemployment levels and high cost of servicing the debt, as a result of the high interest rates, which go along with this policy”.

Why did this analysis not include some approaches for ensuring that what has happened since 1991 does not continue in 1997, 1998, or any other year? Why was this not taken to its logical conclusion? The government has got us used to a bit of logic, but it never follows it through. Sometimes its actions are totally illogical in relation to the logical analysis that preceded them. Why not follow the reasoning through to the end?

There is no doubt that the monetary policy has hindered job creation. There could have been a balance between the optimum rate of unemployment in the economy and the rate of inflation. The government preferred the role of obsessive inflation fighter—that is going a bit far.

The Governor of the Bank of Canada, Mr. Thiessen, acknowledged only last year that, three quarters earlier, they should have loosened controls on increases in interest rates in keeping inflation in check and that they probably weakened the economic recovery that gives rise to new jobs. He acknowledged it himself.

That is not where the problem lies. The Liberals also acknowledge it, but made no recommendation on the effect of the monetary policy. No recommendation was made on the approach of the policy and yet there are studies, including that of Professor Pierre Fortin, which say essentially: we should keep inflation at 3 per cent over the long term. The Bank of Canada would intervene on the money market to keep inflation at 3 per cent in Canada. A 3 per cent rate of inflation is no big deal.

• (1315)

It is now under 1 per cent, which could mean deflation. That is disastrous, because deflation is worse than an inflationary spiral. I will spare you the demonstration for the time being.

If we had a long term objective of 3 per cent like the U.S., where the inflation rate is currently between 3.2 and 3.3 per cent, we could eventually bring the unemployment rate down to 7 per cent or thereabouts. Do you know how many jobs that would represent? An additional 460,000 jobs would be created. That is half the total number of jobs we need in the Canadian economy to restore pre-recession labour market conditions.

Instead of considering the possibility of readjusting the inflation target range—they need not redefine the thrust of the monetary policy from A to Z, but only to set a new inflation target—the Liberals would rather say: “No, we are staying the course. There

are problems with job creation; we realize that we may have squeezed a little too tight in our obsessive deficit reduction effort, but that is the way it will be." I wonder what the logic is behind that.

The Bloc Québécois is not calling for a relaxation of inflation control efforts, quite the contrary, but for balanced control. There is no need for this manic-depressive attitude over inflation control. We are now asking ourselves a number of questions, and so are experts who do not necessarily support the Bloc Québécois or the official opposition because, with an inflation rate of less than one per cent, given the margin of error, we may well be, as I said earlier, in a period of deflation.

A period of deflation is basically an indication that wealth may be decreasing. If prices are expected to stay at the same level or even to fall, how can entrepreneurs be tempted to invest in the economy? Less investment means less production. And if there is less production, there are fewer jobs. It is all interrelated and the deflationary spiral causes a general downturn affecting the economy and job creation. It is worse than an inflationary spiral.

With a one per cent rate of inflation, it seems to me we should try to redefine the targets, or at least try to avoid triggering deflation, which would be worse than what we have been experiencing for the past three years with the attempts to create jobs. It is time the government thought about this; it is time Liberal members stop conducting analyses and start making recommendations that make sense, recommendations that are relevant.

Things are going well in the United States. The inflation rate there is 3 per cent, while the unemployment rate stands at 5.2 per cent. There is a connection between the unemployment and inflation rates. Americans have managed to maintain their unemployment rate at 5.2 per cent, which is described as a balanced unemployment rate. Interest rates come into play, as does the money supply, and rates remain at around 3 per cent for inflation and 5 per cent for unemployment.

The United States does not have a one per cent inflation rate and a 10 per cent unemployment rate like Canada does, something which makes no sense. Year in and year, out we forgo billions of dollars in economic spinoffs because we have decided to be overly scrupulous, as my mother would say, we have decided to outdo the right wing in the United States and to be blindly obsessive in our war against inflation. It is time to put an end to this madness.

In essence, these are our suggestions to the finance minister. We would rather have the finance minister listen to what we have to say, instead of praising the work of the Bloc Québécois in matters of taxation, congratulating us as he does for the seriousness of our work, our great ability to analyze the corporate tax system, our good recommendations.

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We will accept the government's congratulations, since we do not get them often. We will accept them also because they show, at least in part, how useful the official opposition is, how useful the Bloc Québécois is. And we will be even more useful over the next few years, until Quebec decides to go for another system than the federal system.

I would like to tell you this: when I look at the remarks made over the past three years by the Bloc Québécois, by myself and by all my colleagues, who are doing a wonderful job, and when I compare them with the remarks made by government members and members of the other opposition party, I see that every time a member of the Bloc Québécois rose in this House, it was to defend the interests of those who sent us here.

• (1320)

I see that every time a member of the Bloc Québécois rose in this House, it was to defend the interests of the people we are here to represent. We rose to defend the disadvantaged, the unemployed, students, seniors, the right of women to dignity through work, day care centres. Then I looked at what the others did.

The finance minister rose to defend the right of large corporations to do whatever they want as far as taxes are concerned. He rose to defend the tax free transfer of a \$2 billion family trust to the United States. He rose to defend the right of very rich Canadian taxpayers to a partial capital gains exemption. Every time he rose, it was to defend the interests of rich people and large corporations.

I will not say a word about Reform members. They did the same thing as the government. That showed me how useful the Bloc Québécois is. That is why my colleagues and myself are here, to defend the interests of real Canadians, to defend the interests of the disadvantaged, to defend real job creation measures and not measures to help the rich get richer and the poor get poorer.

I thank you for giving me this opportunity to speak. I am sure my colleagues from the Bloc Québécois will rise again, during the next two days, to defend the interests of real Canadians and not the interests of very rich taxpayers and large corporations.

[*English*]

Mr. Herb Grubel (Capilano—Howe Sound, Ref.): Mr. Speaker, as you may know, I will not be seeking re-election and therefore this will be my last opportunity as the Reform finance critic to discuss the prebudget hearings report brought down by the finance committee. I do so with pleasure because I believe that the rosy Liberal coloured interpretation of the history of the last three years leading up to this budget consultation needs a bit of correction.

In 1994 we had a quick budget that was essentially a do nothing budget. I give the Minister of Finance some credit for at that point resisting the demand for increased spending. And except for a few

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special categories of spending, he kept everyone in line and it was more or less a steady as she goes budget.

However, between the 1994 and 1995 budgets I believe having read *Double Vision*, a book I recommend highly to all members of Parliament who have lived through this period and to the general public, that between that time in 1995 there was a serious conversion of the Minister of Finance and his cabinet and caucus. What we saw was an intellectual integration of the concept of compound interest. I think during that period it became obvious that there was no way that this government could grow out of the deficit simply by slowing down or even holding constant the increase in expenditures. Therefore that was a major achievement.

The second thing that happened that was fortuitous in retrospect but at the time probably a very agonizing terrible thing to all those Liberals who wanted to spend more, because that is how they had been brought up, was that the Mexican crisis hit the country. High interest rates raced through the world, the Canadian dollar came under attack and a series of articles and outside events brought home like nothing else would have in the absence of those events the seriousness of the crisis facing Canada. Moody's gave a down rating of our debt. There were editorials in the *Wall Street Journal* and everywhere else that this country was really in trouble.

• (1325)

As it turns out, in 1995 the government produced a major breakthrough budget. I said so at the time and I say so again. The government is to be congratulated. It first initiated a program review which was a code word for downsizing the operations of government. It could not do anything about the debt and I will talk shortly about transfers to others.

The day to day operations of the government had grown and become bloated in the post-war years. It was decided through the program review that the best way to go was not to cut across the board but to select certain items that needed to be eliminated and others that needed to be trimmed. The ministers were given a lot of latitude. They resisted heavily but they finally committed themselves to an \$11 billion cut in departmental spending. That was a 20 per cent cut.

It is still beginning to bite. All the layoffs, all the spending reductions have not yet taken place but it was a major cutback. In the Reform Party's view it should have gone further and in our budget we propose to do more of it, mainly by more decentralization of functions, the ideological anathema to the Liberals.

In the 1995 budget provisions were made for downloading to the tune of \$7 billion. It said to the provinces "you used to get that money from us for welfare, higher education and medicare but in the next few years we are going to cut all of that to the tune of \$7 billion". Where did all the wonderful figures for the government

come from that the previous speaker was talking about? It was said that the deficit would be almost eliminated by the year 2001. It has come from increased tax revenue.

About one-quarter of that amount is through 35 small increases in different taxes. They were not called tax increases but just making the system a little fairer. It hurt like a tax increase, it looked like a tax increase, it raised government revenue but it was not really a tax increase. There were 35 of those steps.

All of that will amount by next year to over \$25 billion. Let me repeat that this government started with a deficit of about \$40 billion. It tried to eliminate this with a \$25 billion increase in revenue which it took from the pockets of Canadians. It is also taking the \$7 billion out of the pockets of Canadians except that it has put the burden, the political cost, on the provinces by saying that the provinces will get \$7 billion less. The only thing the government has done where it really hurt was the \$11 billion in the local bureaucracies, in the local functions of government. If all goes well, all that will lead to a balanced budget by the fiscal year 2000-2001.

The 1996 budget essentially carried on with the promises made in the preceding budget and it seems to be working all right. Interest rates have come down and there is a slightly better than expected performance. I congratulate the government again for having done what it has done. However, it should have done it much faster because what is lying ahead of us within the next year or two is still the possibility of a recession. There is a possibility of an increase in interest rates.

We have been warned by economists all along that economic expansions do not last forever.

• (1330)

I am worried about how the stock market is doing today. That indicator of economic well-being tends to forecast change in economic activity. One of the big troubles is if we do get such a turnaround in the economic activity or interest rates rise or both—this has nothing to do with ideology—as the Minister of Finance has said again and again, it is simply a matter of arithmetic that in fact such events as a slowdown in economic activity and higher interest rates could put this government, after all this pain, back to where it was when its term started.

For the sake of Canadians, not for the sake of the Liberal Party, just for the sake of Canadians, I hope none of this will happen. The outcome of the policies that the government has already undertaken is really quite a dismal record. It could have been better if there had been more decisive action more quickly.

The debt this government inherited was \$500 billion. Next year it will be over \$600 billion. In some budgets it was forecasted to be \$625 billion. This will be \$11 billion more in interest costs on just

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the amount of debt that the government has added to the one which it inherited.

One of the most tragic things is, as I mentioned, that \$25 billion increase in revenue, partly through increased tax rates but simply through economic growth, has resulted in a reduction in average family income in Canada of \$3,000 per year. People feel like they have been squeezed. The average Canadian does not have enough money to pay the interest on all the debts that they have. On top of that, however, it is not getting better. It is getting worse.

That is why they have not increased spending. That is why our recovery was export driven. That is why we have been coasting along at a very anaemic growth rate, why employment creation has been large by the standards of the six European countries that are tearing their hair out because they are having such great difficulties. The famous Germany, the economic miracle, is stuck at unemployment rates over 10 per cent. Its best corporations are opening factories everywhere except in Bavaria and places where they should be. It is looking at what the problem is and we do not want to imitate it. We should look to the Americans.

As the House knows, as the result of this we have been just coasting along at a very unfortunate rate. Because of the slowness and the lack of incisiveness with which the government attacked this deficit we saw a large risk premium on our interest rate relative to that in the United States and the rest of the world. That risk premium has severely reduced investment and of course investment is the source of productivity growth and the source of higher income.

This government's record which was described by looking through such rosy coloured spectacles is really nothing very much to brag about. This government offers no tax cuts, no relief for all the hard working Canadians who are wondering how to make ends meet. The only thing the government did was to take money away from Canadians to the tune of \$25 billion to eliminate the deficit, another \$7 billion away from Canadians by downloading on the provinces.

In relation to that \$32 billion all it did was spend \$11 billion of reductions in departmental spending on its own bureaucracy. No wonder people are disappointed and worried about the power and strength of the bureaucracies in Canada and how individual ministers are captured by them. However, they are Liberals and they are willing to be captured and do all this good spending.

• (1335)

One of my greatest disappointments in this document that we are discussing today is that the restraint which the Minister of Finance has been able to keep on his Liberal spenders now appears to be

ready to be broken. This restraint is about to go because we have the all-Liberal tradition.

During a press conference one after the other, disadvantaged group marched up to the microphone and television camera and said they needed more money. Sure, these are tragic problems besetting the people who come to the government wanting help. Reform would love to give them help and we plan to give them help through tax cuts, by lowering spending on the local bureaucracy. That is how it can and should be done.

The tragedy is that allegedly, on the basis of performance in the budget being better than had been expected, there now sits maybe \$1.5 billion. This Liberal government, speaking through the finance committee, has said "let's start spending again". This is at a time when the deficit still adds \$100 million a day to the debt that the young people sitting around here, the pages in university, will have to pay the interest on.

The Bloc was talking about how it speaks for this disadvantaged group and that disadvantaged group to give more money. I would love to be able to do so. However, the Reform Party, and especially myself, have made it our task to speak for those who cannot speak for themselves, who do not have a vote and therefore do not count at all, zilch, negative in the Liberal calculus on what should be the policy.

Our youth will have to face \$50 billion a year in interest costs, which are still rising and will be even higher if these Liberals get their way and start spending again. They also have another \$50 billion or \$60 billion to pay to us in the form of medicare expenses and CPP expenses, unfunded liabilities which will require at least \$50 billion a year.

It is a crime what we are doing to our unborn generation and to those who cannot yet vote. Yet just when we are about to move slowly, surely and with some sanity toward reducing this debt on future generations what do we get? We get opportunistic Liberals, who cannot look beyond their own selfish noses, proposing again to increase spending before the battle is won. We are not even half way there yet. The risk of higher interest rates and a recession makes this totally and completely irresponsible.

Imagine what it will mean when we balance the budget and then start spending again. If we do not want a deficit again where is the money going to come from? It is going to come from further increases in tax revenue from overtaxed Canadians. They will suffer another \$3,000 reduction in family income as they did in the last three years because these Liberals, as they indicated in this particular report, are just waiting for the Minister of Finance to weaken ever so slightly and give in to one special interest group, however worthy its cause, and the flood gates will open.

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There are lists of people from the natives to battered women. I could go on and on about the people we heard from in the finance committee, all of whom had good causes to come to the federal government for more support. But at whose expense would that support come? At the expense of the young people I see right here in the House, who when they have grown up will find their debt burden even higher than it would be otherwise.

• (1340)

I would now like to turn quickly to two pet projects which I believe are worth supporting. They will cost a little bit of money and maybe will have to wait another year or two, but I will not be here to talk about them. Therefore I would like to put them on record right now.

The first is the elimination of the luxury tax on jewellery and watches. This is an antiquated tax. Hardly anyone today would believe that these products are a luxury and should be carrying in a very discriminatory fashion another 10 per cent tax on top of all the other taxes that are paid. Why pick on those particular products? They have created an underground economy and it is totally counterproductive. If we could recover the revenue on smuggled goods, on underground production and unreported income, the government would probably be way ahead. It is a kind of micro management which I do not think is justified in this day and age.

The second thing I would like to support is the idea of removing all restrictions on the tax benefits that accrue from charitable donations. A very interesting study has been made of American history, the wealth created during the monopolies in the late 19th century of the oil barons, railroad barons and the steel barons, the Mellons, who had accumulated huge fortunes which have since been dissipated. In what way? They have all been given to foundations and to universities. The entire accumulated fortunes, capital gains, invested dividends, everything, was given to these institutions. Today Harvard has a \$4 billion capital fund; Yale has \$2 billion; Stanford, \$2 billion or \$3 billion.

We heard statistics that our universities have tiny little endowments. It is believed that the main reason for the difference between the two countries is the tax treatment. The Americans simply do not tax the accumulated capital gains on the assets are given away.

I am pleased the chairman of the finance committee supports the report that we should also do this in Canada as soon as the budget allows. It is not a great revenue loss relative to the huge benefits to be achieved.

I think I am running out of time soon. I would like to talk about the presentations we heard from economist Andrew Sharpe about the role of labour market imperfections and barriers to the reductions in the unemployment rate. This is a topic I have spoken about

regularly in the House whenever I had the opportunity. I will dedicate the rest of my professional life at the Fraser Institute after the election to pushing and increasing public awareness of this problem.

On a personal note, Mr. Donald Macdonald, the former finance minister and head of the Macdonald commission, was a witness in a committee hearing the other day. I first met him about 11 years ago, after a luncheon speech. I introduced myself and he said: "Your paper on the effect of unemployment insurance on the rate of unemployment hung over our commission like a shadow". Last week he reminded me of that meeting.

I find it unbelievable that we have so many blinders on that we cannot see that when a country just across the border with the same macro economic policy produces an unemployment rate of 5 per cent, we are stuck at 10 per cent. What a tragedy. I do not want to necessarily replicate what is being done in the United States.

• (1345)

What I think we need in this country is a lengthy, major in-depth discussion on the trade-offs. If we tell people to stay in that place, that if they are poor and unemployed we will give them a guaranteed amount of money every year, they will stay there. It is simple economics. We may want to do this as a society. But at least we should talk about it and not stay stuck at an unemployment rate of 10 per cent.

I would like to close by reminding the House that I disagree with the presentation of the witness who said that those overly generous Canadian welfare and social programs were responsible for only about a quarter of the 5 per cent difference between the American and Canadian rates.

I worked on my Ph.D. at one of the leading left leaning universities of the world, Yale. We got our degree by doing a study which showed that the market failed. All the professors would say, with a few exceptions: "Right on. Here is your doctorate. You found that the market is not working".

Then I spent three years as an apprentice at the University of Chicago. I was an assistant professor. There if we found out that the market was not working we were told to go back and do more research until we found out that it was the government's fault that the market was not working.

That is the kind of attitude I bring to this debate. That kind of attitude will show that the bulk of the difference between the unemployment rates in Canada and the United States is due to policies which we make with the best of intentions but which have these unfortunate, unintended consequences.

Mr. Andy Mitchell (Parry Sound—Muskoka, Lib.): Mr. Speaker, I am pleased to have an opportunity to ask the member a question.

Government Orders

I noticed, in reading the committee's report, that it went out of its way to quote the member directly on the subject he addressed at the end of his speech which dealt with the structural differences with respect to unemployment. The report at page 15 quotes the hon. member, who is the finance critic for the Reform Party. It says that the hon. member stated that structural differences were causing higher unemployment in Canada and that these included unemployment insurance, minimum wage rates and the degree of unionization. Those were the three that were mentioned in the report. I do not know whether the member mentioned any others during the committee hearings.

I want to make sure that I am very clear on his theory. It would seem to me from what is in the report and from what I have heard that the member is suggesting that we as a nation pursue a policy of restricting access to unemployment insurance, restricting minimum wages or lowering them so that people are not able to get unemployment insurance and have to accept lower minimum wages, and restricting people's rights to organize unions and to enter into collective bargaining negotiations. He is suggesting that if we did all of those things as a country, it would mean we would have lower unemployment.

Is the member suggesting that as the route to getting increased employment in Canada?

Mr. Grubel: Mr. Speaker, I am pleased to respond to that excellent summary of the points I made.

The member will remember that I was very careful to say, since I am now a politician and not an academic, that this is indeed what scholars around the world, scholars who are published by the OECD are finding. They are finding that there is a trade-off for societies, a trade-off on the generosity of programs of the sort he mentioned and the unemployment rate.

My point is that what this country has to come to grips with is however much we would like to fly by flapping our wings, we are never going to fly. There are certain realities in this world. In this case the reality is that we cannot have it both ways: more generous programs than other countries and the same rate of unemployment. I do not know if it has ever been explained to the people of Canada what the trade off is and what they would choose if they really had been given the alternative by the government. We should at least start a dialogue.

• (1350)

I think I know where we will end up but since I believe in democracy that would be up to the people. The main thing we have to do is start a dialogue on that subject.

Mr. Ian McClelland (Edmonton Southwest, Ref.): Mr. Speaker, first of all I would like to acknowledge what a privilege it has been to serve in the same caucus as the hon. member for Capilano—

no—Howe Sound. It has been very illuminating for many of us to have an economist of his world stature participating in the debates of the House and speaking honestly about problems.

We cannot solve the problems of the country if we do not address them honestly. That is what we are trying to do here. We are addressing the problems that the nation has. We did not get into a \$600 billion federal debt by accident. We are in this mess because people of good heart and little else took us down this path unknowingly. We are not suggesting that they got up in the morning and said: "How are we going to screw future generations of Canadians?" It just happened. Now we have to deal with mess, do something right and only straight talk is going to get us there.

There is some straight talk but it is not normally found in this House. Early in his comments the hon. member for Capilano—Howe Sound mentioned a very excellent book which should be required reading for all members of Parliament, including members opposite of the Liberal Party. That is the book "Double Vision" written by Edward Greenspon and Anthony William-Smith about the first three years of the Liberal reign at the end of this millennium.

It speaks very eloquently of the battle that raged within the Liberal Party on whether they were going to finally fess up to the fact that our country was and still has the potential to be a financial basket case if we do not stay the course.

I would like my colleague to amplify on page 276 of that book. I remember it very clearly because it was like a lighthouse. It just exemplified what has gone on in this Parliament. On page 276 the Minister of Finance was defending his budget to the bond traders, Salomon Brothers, 400 of them. Their question to him was: "Why should we believe the Liberals have got the forthrightness, the ability, to stay the course on the deficit reduction when they have never had that strength before, when they have never been able to do it. In the face of another election they open their wallets and give away future generations of Canadians' money. It is not their money. It is future generations' money. They have never had the strength to do it before, why should we believe you have the strength to do it now?"

His response was: "In his opinion the political competition in our country is the Reform Party. The Reform Party is committed to getting our financial house in order and the Reform Party will keep our feet to the fire". Would the hon. member for Capilano—Howe Sound respond to this?

Mr. Grubel: Mr. Speaker, I thank the hon. member very much for that softball. Yes, it is correct that the Reform Party should be given much more credit than we are being given for having been one of the sources that pushed in the crucial months before the 1995 budget for a much more restrictive budget than the Liberal ideology would have produced otherwise.

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At the same time what the hon. member just mentioned makes this Liberal report that we are talking about right now such a tragedy. That the hard won victory of 1995 turned the corner. It meant a shift in the battle but the battle is only half way there. This year's deficit is still around \$20 billion. It still adds \$75 million a day to the debt clock. The debt clock has slowed down somewhat but it is still ticking like a time bomb. Here we have the first revolt of the left-wing Liberals who believe it is time to start spending again.

• (1355)

It was defended on the floor of this House and it is something which is very scary given the history of this government in this country in its inability to resist the siren songs of spending.

Mr. Andy Mitchell (Parry Sound—Muskoka, Lib.): Mr. Speaker, I will be sharing my time with the member for Ottawa West and I suspect sharing my time with the upcoming question period.

The Speaker: I suspect that is a good suggestion. It is almost 2 p.m. Perhaps we could proceed to Statements by Members. My colleague, you will have the floor as soon as we get back.

STATEMENTS BY MEMBERS

[English]

WHISTLER MOUNTAIN

Mr. Herb Grubel (Capilano—Howe Sound, Ref.): Mr. Speaker, last summer Whistler Mountain in my riding invested several million dollars to improve the safety of North America's fastest downhill ski racing course.

Last week the world's best racers assembled for the opening event of the world cup season. Dozens of volunteers worked hard to perfect the course. And then the heavens opened up. Four days in a row it snowed and snowed and snowed, metres of it, dry and fluffy.

The village is a winter wonderland. The slopes are paradise, the powder snow knee deep. I know, because I made my share of fresh tracks. Even the racers revelled in it.

In the end, the race had to be cancelled. Too much snow. What a pity, what luck.

Come all ye skiers and enjoy it. Better luck next year, racers.

* * *

[Translation]

FIRES IN THE RIDING OF CHÂTEAUGUAY

Mr. Maurice Godin (Châteauguay, BQ): Mr. Speaker, last Wednesday evening, I received the sad news that some residents of

the riding of Châteauguay had suffered the loss of major farm buildings in deliberately set fires. Eight buildings in the Sherrington region were lost within a perimeter of six kilometres, with a resultant loss of over \$1 million.

With the holiday season approaching, this is a heavy blow to the affected farmers. I wish to express my sympathy to them in these most difficult of circumstances.

Such situations demand solidarity and mutual assistance. I am sure that the people of my riding will rise to the occasion. In closing, I would like to express thanks, on behalf of my constituents, to the 200 or so firefighters who came from eight Quebec municipalities, and several others in New York State, for their efforts in fighting these fires.

* * *

[English]

CANADA POST

Mr. Len Taylor (The Battlefords—Meadow Lake, NDP): Mr. Speaker, yesterday hundreds of postal workers came to the Prime Minister's door to protest the government's decision to stop Canada Post from delivering advertising mail, a move that will result in the layoff of 10,000 workers, one of the largest mass terminations in recent Canadian history.

Today postal workers will be setting up information pickets at major postal stations across Canada as part of their campaign to save the jobs of 10,000 men and women, most of whom work less than 15 hours a week and therefore are not eligible for EI.

In the red book the Liberals promised that a Liberal government would put jobs and economic growth at the forefront of its objectives. Instead, here we have a Liberal government that gave absolutely no thought whatsoever to the devastation and hardship this cruel and tasteless act will bring to the lives of those workers and their families.

• (1400)

The government should rescind this decision, save the jobs of the admail workers and promote the healthy future of a public postal service.

* * *

HARMONIZED SALES TAX

Mrs. Elsie Wayne (Saint John, PC): Mr. Speaker, I want to set the record straight. On December 3 the member of the third party from Medicine Hat stated during debate on Bill C-70 in this House that I, the member for Saint John, was in favour of the HST.

For the record, I am not in favour of this harmonized tax with tax in pricing or any proposal that puts our Atlantic provinces out of sync with the rest of Canada.

I have met with the Retail Council of Canada on two occasions on the Hill and have made arrangements for the Retail Council to come to Saint John to speak to the business community. I have met with our local chamber of commerce and it is working actively to have the HST delayed until all provinces are on side.

It is no wonder that the third party is at 1 per cent in the polls in Atlantic Canada. Reformers should read the local papers. They would know that this type of small p politics does not sit well with my constituents.

* * *

EMPLOYMENT

Mr. Jim Jordan (Leeds—Grenville, Lib.): Mr. Speaker, in these days when opportunities for work are not what we would like them to be, a friend of mine, Heather Howard, has struck upon a plan which is unique and for which I think she deserves credit.

Heather owns the Thousand Island tax and duty free store at the Thousand Island bridge in my riding. She has instituted a plan to allow every full time employee one working day per month with pay to do volunteer work with a community organization. This allows Heather to recall a laid off worker for some part time work until that person can come back full time.

I would like to congratulate Heather on her initiative and her generosity toward her employees. It is an interesting model in work sharing and one which other employers across Canada should be encouraged to examine.

* * *

DOWNRIVER KAYAK CHAMPIONSHIPS

Mr. John O'Reilly (Victoria—Haliburton, Lib.): Mr. Speaker, over the summer the Canadian national downriver kayak championships were held in Minden, Ontario, a town which is located in my riding of Victoria—Haliburton.

Today I would like to congratulate Monica Moisaner from Lindsay, Ontario on becoming the Canadian national downriver kayak champion. This is her fourth title as she won in 1992, 1993 and 1994.

In her event Monica was up against a strong field of competitors but she still managed to win by a comfortable 10-second margin. Monica also competed for the first time in the slalom event where she finished a very respectable seventh.

Who knows, by the year 2000 we could see her competing at the summer Olympics. Way to go, Monica. Congratulations on your success.

S. O. 31

CANADA POST

Mr. Janko Perić (Cambridge, Lib.): Mr. Speaker, I would like to draw the attention of this House to a matter of great concern to many constituents in my riding of Cambridge who are currently employed by Canada Post. They face the prospect of losing their jobs should aspects of the Canada Post mandate review be implemented.

I have received many letters and phone calls from Canada Post employees and members of their families who will be affected should the Canada Post mandate review recommendation for withdrawal from the delivery of economy unaddressed admail be acted upon.

Before making a final decision on Canada Post's withdrawal from the delivery of economy unaddressed admail, I urge the minister to consider the impact which these lost jobs will have on these people and their families in Cambridge and across Canada.

* * *

[*Translation*]

CANADIAN AMBASSADOR TO FRANCE

Mr. Ghislain Lebel (Chambly, BQ): Mr. Speaker, the Canadian ambassador to France missed a fine opportunity to remain quiet on Friday at a luncheon gathering in honour of Quebec deputy premier, Bernard Landry.

In defending his federalist ideal, the ambassador exploited the misfortune of the two Canadian victims of the bombing in Paris last Tuesday. According to him, Hélène Viel, who was killed, and her husband, who was wounded, illustrated what he described as the ability of anglophones and francophones in Canada to understand each other in a very special way.

It is distressing to find such cynicism and lack of judgment in Canada's representative. I ask him today to issue a public apology for having exploited the misfortune of the two families for his own partisan purposes.

The only respectful thing to be done is to offer, on behalf of the official opposition, our sincere condolences to the family and friends of Ms Viel and to wish her husband a speedy recovery.

* * *

● (1405)

[*English*]

DRINKING AND DRIVING

Mr. Bob Mills (Red Deer, Ref.): Mr. Speaker, today as we prepare for the upcoming festive season, I want to urge my colleagues from all sides of the House to take time in their ridings to make a statement about drinking and driving.

S. O. 31

In 1972 I was the victim of a drunk driver and was very fortunate to survive on that occasion. The driver was 16 years old and I was his second victim that year. While I had a skull fracture, broken pelvis and other injuries, the previous victim was paralyzed. I use this example only to point out that drinking and driving must be eradicated.

As my wife and I attended the Mothers Against Drunk Driving memorial in my riding last weekend, I underwent two emotions: I was thankful I had recovered and I was deeply touched as each candle was lit representing a victim whose life had been taken by a drunk driver.

I urge all members to make a statement in each and every riding across Canada.

* * *

ONTARIO BUDGET

Mr. Murray Calder (Wellington—Grey—Dufferin—Simcoe, Lib.): Mr. Speaker, the Dominion Bond Rating Service notes that Ontario's plan to balance its budget is extremely vulnerable to a recession. A 30 per cent personal income tax cut is the largest single threat to the objective of a balanced budget. Eighty-eight per cent of all extra tax revenues will be required to finance the \$5 billion tax cut.

The Reform Party's "stale start" says that immediate tax cuts will help the economy. In fact, tax cuts will now cause more government cutbacks. Just look at the Harris government in Ontario. Already having cut billions, it still needs to make another \$3 billion in program cuts to reach its targets. But Harris has not got a clue of what to eliminate next because his so-called plan lacked common sense to begin with.

The people of Ontario were hoodwinked by the Harris Reformatories. The people of Canada will not be hoodwinked by Manning's Tory-Reformers.

The Speaker: My colleague, I would urge you not to use any member's name in the House of Commons.

* * *

HEALTH CARE

Mr. Alex Shepherd (Durham, Lib.): Mr. Speaker, I rise to speak of the importance of a national health care program and in particular to express concern about the health and well-being of Canada's children.

Canadians are among the healthiest people in the world. Canada was rated first in the world in 1995 and 1996 on the United Nations human development index. This index measures a country's achievements in life expectancy. This is truly one of the best

countries in the world in which to live. However, I am concerned about the direction our health care system is taking.

At a recent conference on Canada's children and their future, the Minister of Health expressed concern that too many Canadians are falling through the cracks in our system and that many of these are children.

One of these children comes from my riding. A family from the Courtice area currently has their son enrolled in a special needs residential program funded by the province of Ontario. The province is going to cancel the funding. Ironically, the funding could continue if the child was made a ward of the state through the Children's Aid Society. Craig and Gloria Brown believe that it takes families to raise children, not the state. It is the purpose of the state to support its families.

I would ask the province of Ontario to review its policy on special needs in order to keep families together.

* * *

[Translation]

TUITION FEES

Mr. Ronald J. Duhamel (St. Boniface, Lib.): Mr. Speaker, changes in the fees at universities in Quebec will penalize young Quebecers who choose to study outside Quebec. The Government of Quebec will reduce the amount of financial assistance it makes available to these young people.

[English]

Also, out of province students will pay additional fees for their education in Quebec.

More problems will result from this action taken by the Quebec government. Quebec students will get fewer opportunities to dialogue with people outside the province. Other Canadian students will get fewer opportunities to interact with their counterparts in Quebec.

[Translation]

Certain groups of Canadians, for example francophones outside Quebec, will be limited in their choice of university, and the dialogue with their brothers and sisters in Quebec will be silenced.

[English]

Finally, Quebec businesses will lose tax. There will be fewer students from outside Quebec spending money.

Stop. Rethink. Education is for everyone.

[Translation]

Please reconsider.

• (1410)

HUMAN RIGHTS

Mrs. Maud Debien (Laval East, BQ): Mr. Speaker, in 1991, we all applauded Levi-Strauss' decision to establish a code of conduct to govern the working conditions of their employees worldwide.

Unfortunately, we have learned that the company's commitment to human rights is more rhetoric than reality. In fact, various non-governmental organizations, including Development and Peace, have observed firsthand in the Philippines how poorly Levi's workers were treated.

Discussions are under way between the Canadian government and the private sector regarding voluntary codes of conduct, but they are not likely to be followed if the government does not demonstrate the will to implement an independent control mechanism. Without such a mechanism, this government could, once again, put financial considerations before human rights.

We urge companies operating in developing countries to submit to independent inspections and to have policies providing fair wages and working conditions.

* * *

[English]

WHITE RIBBON CAMPAIGN AGAINST PORNOGRAPHY

Mr. Dick Harris (Prince George—Bulkley Valley, Ref.): Mr. Speaker, I rise in the House today to draw the attention of members to the white ribbon campaign against pornography. The campaign is a national effort aimed at combating and eliminating the destructive influences of obscenity, pornography and indecency.

We must be concerned about the effects which pornography produces on individuals, families and upon society as a whole. We must be particularly concerned about the effects this type of material may produce on sexual predators and others who may be inclined to commit sexual offences.

I know that all Canadians are opposed to the exploitation of women and children for sexual, economic or any other purpose. I have been contacted by and have been in touch with a number of groups and individuals within my riding. They have urged me to promote the white ribbon campaign.

It is therefore with a great deal of pride and sense of social responsibility which I know all members share that I draw this worthy cause to the attention of this House.

S. O. 31

[Translation]

LIBERAL PARTY OF QUEBEC

Mr. Nick Discepola (Vaudreuil, Lib.): Mr. Speaker, the Liberal Party of Quebec has made public its constitutional position.

In a document entitled "Recognition and Interdependence", the Quebec Liberal party's committee on the future of the Canadian federal system proposes a positive and practical approach to renewing Canadian federalism.

On the whole, this report effectively reflects an understanding of what Quebecers really expect in terms of a renewed federal system. It puts forward innovative ideas that will no doubt provide an interesting basis for discussions.

The Liberal Party of Quebec has taken note of last year's referendum results and its response is clearly set out in this document. As for the PQ and BQ members, they keep denying the people's decision and still have nothing better to offer than the separation of Quebec, an option that the people of Quebec have rejected twice already.

* * *

[English]

MEDAL OF BRAVERY

Mr. Gerry Byrne (Humber—St. Barbe—Baie Verte, Lib.): Mr. Speaker, I would like to acknowledge the brave efforts of Mr. Stanley Hutchings and his fellow Canadians who participated in the exceptional rescue of Ellen and Mark Barton and their deckhand from the treacherous waters off of British Columbia one day.

These men risked their lives to help the stranded vessel. These men knew that if they did not respond quickly, they would be looking for bodies rather than survivors. After more than three hours of wrestling with the elements, their rescue efforts managed to bring these people in safely. Their heroic efforts will never be forgotten by the survivors.

Recently, Stanley along with 27 other outstanding citizens received the Medal of Bravery from the Governor General of Canada to recognize their acts of bravery. It is a great honour to congratulate Stanley Hutchings on this memorable day.

* * *

[Translation]

JOB CREATION

Mr. Raymond Lavigne (Verdun—Saint-Paul, Lib.): Mr. Speaker, on December 6, Statistics Canada released its employment figures for the month of November.

Oral Questions

From September 1995 to October 1996, the private sector created 220,000 jobs in our country. Since 1993, total employment has increased: 664,000 net new jobs were created, the majority of them being full time jobs, while unemployment rates have fluctuated.

We are also just starting to feel the positive effects of our basic economic factors, namely the lowest interest rates in 40 years, and the lowest mortgage rates in 30 years.

Contrary to what Louise Harel said last week, Quebec's employment situation did not deteriorate because the "no side" won, but because of the political instability that prevails.

* * *

• (1415)

TRIBUTE TO MRS. ROSE-ANNA NOBERT

Mr. Réjean Lefebvre (Champlain, BQ): Mr. Speaker, I am very pleased to mention that a constituent of mine is celebrating her 105th birthday, since she was born on December 8, 1891.

Her name is Rose-Anna Nobert, the wife of Rosaire Nobert and mother of seven children. She is also the proud grandmother of 36 grandchildren and the great-grandmother of 23 great-grandchildren.

I should point out that Rose-Anna Nobert, who currently lives at the senior citizens home in Sainte-Anne-de-la-Pérade, lived in her own house until she was 103 years old, which is simply extraordinary.

As the member for Champlain, I am proud to pay tribute to Rose-Anna Nobert. I join all the members of her family, and all her friends at the Sainte-Anne-de-la-Pérade home, in wishing her health and happiness on her 105th birthday.

ORAL QUESTION PERIOD

[Translation]

TRANSFERS TO PROVINCES

Mr. Michel Gauthier (Leader of the Opposition, BQ): Mr. Speaker, in the report by the finance committee's Liberal majority, we learn that, with the limited budgetary flexibility now available to it, the federal government could, at the suggestion of its members, provide assistance primarily to the disadvantaged and to students through measures that will cost it less than \$2 billion in total.

My question is for the Prime Minister or the Minister of Finance. Will the Prime Minister, or the Minister of Finance, admit, and furthermore, could they inform members of their caucus, that if the government has \$2 billion to play around with today, it is first and

foremost because it has cut social transfer payments to the provinces by almost \$5 billion over two years?

Right Hon. Jean Chrétien (Prime Minister, Lib.): Mr. Speaker, this is a committee report. The Minister of Finance will table his budget in February.

Regarding transfer payments to the province of Quebec, I would like to point out that, while some transfer payments from the federal government have gone down, equalization payments have increased. At the moment the amount being transferred to the province of Quebec is about the same as it was when we came to office. In the case of Quebec, there has been no change, unlike richer provinces perhaps.

The Minister of Finance is going to prepare his budget and we will see. Usually, he brings it down in February. The Leader of the Opposition will have to wait two months, and then he will have his answer.

Mr. Michel Gauthier (Leader of the Opposition, BQ): Mr. Speaker, it is because we are used to tricks from the other side. We have seen the government in action for three years.

Generally, when government members throw out an idea, the government is later tempted to use it in making unpopular decisions. That is why we are putting it on notice.

I ask the Prime Minister if he could tell these members and the House that the measures they proposed in the Liberal report to help students and the poor do not represent even half of what his government has cut in health, social assistance and higher education during its term of office, and that, as a result, it is still a long way from undoing the harm it has done to the most vulnerable members of society.

Hon. Paul Martin (Minister of Finance, Lib.): Mr. Speaker, for one thing, when we made cuts, they were much deeper in our own case, in order to reduce direct federal government spending.

Moreover, it is very clear that, when the time came to make cuts, we could not ignore the fact that 20 to 25 per cent of our spending was in the form of transfer payments to the provinces. At the same time, as the Prime Minister has just said, we did not touch equalization payments. Furthermore, I can tell you that equalization payments alone amount to \$3.9 billion dollars, or 45 per cent of the total, for Quebec.

That being said, when we look at measures to help the most disadvantaged members of society, to help children living in poverty, to help students, a question comes to mind: Why did the Bloc Québécois vote against all these measures?

• (1420)

Mr. Michel Gauthier (Leader of the Opposition, BQ): Mr. Speaker, the Minister of Finance knows very well that the biggest cuts were to provincial transfer payments, and that they also dipped substantially into the UI fund. This was primarily how the minister refilled his coffers. We know this. He cannot deny it. Furthermore,

those living in poverty in Quebec and elsewhere in Canada know it. They know it each day that the government has hurt them, that it went after them cruelly.

Will the Minister of Finance admit that the best short term response to child poverty, family violence and school dropouts would be to re-establish the provincial transfer payments for social programs that it was too quick to cut, and will he promise to do so in his next budget and to inform government members that the path they have set out on is a very bad one?

Hon. Paul Martin (Minister of Finance, Lib.): Mr. Speaker, between 1993-94 and 1998-99, direct government spending will decrease by over 12 per cent. As for provincial transfer payments, the reduction will be less than 8 per cent.

At the same time, it must be pointed out that when provincial transfer payments were reduced, the reduction was less than 3 per cent of provincial revenues. This is a completely acceptable cost. Not only that, but when one looks at the cuts provincial governments have made in payments to their municipalities, we have cut much less.

That having been said, let us look at what was done in the last budget. Not only did we set an \$11 billion ceiling—not a ceiling, a floor—to protect provinces, we included a formula that will see transfer payments increase after 1998.

Mr. Gilles Duceppe (Laurier—Sainte-Marie, BQ): Mr. Speaker, in recent years, the Minister of Finance has tabled budgets in which transfers to the provinces for health, education, and welfare drop, or will drop, from \$30 billion to \$25 billion in 1996-98, in other words cuts of \$5 billion over two years.

Today, that same government is talking to us about creating programs and tax measures in the order of \$2 billion to offset, very partially, the cuts to the provinces.

Will the Minister of Finance finally admit that the manoeuvring he is involved in at this time, this withdrawal from the funding of provincial social programs in order to create its own programs has but one objective, increasing federal government visibility? This is not done in order to help those who are truly in need, the victims, for the federal government is the one who made them victims and is now coming to their rescue.

Hon. Paul Martin (Minister of Finance, Lib.): Mr. Speaker, as regards transfers to the provinces, the key objective is to help the most disadvantaged members of our society, those who are in need, and to do so in partnership with provincial governments. This is why we gave two years notice before making the cuts. This is also the reason cuts to the provinces are less than the cuts at our end, these cuts represent less than 3 per cent of their revenues. Yes, we have made cuts, but in manageable amounts.

Oral Questions

Mr. Gilles Duceppe (Laurier—Sainte-Marie, BQ): Mr. Speaker, when analysing the budget, we must remember that 84 per cent of cuts in federal government spending were made to transfer payments and subsidies to third parties, individuals or provinces, while only 16 per cent of cuts were made to departments or crown corporations. These figures come from the minister's own budget.

I refer to the Prime Minister, who stated in this House on December 13, 1995: "It is very important we continue to make visible transfers—like the heritage minister, the flag minister—so that the people—will see that the federal government helps pay for the social programs the provincial governments manage".

Will the Minister of Finance admit that this government is interested solely in visibility, that the only thing it is trying to do is to improve its own image, by blackening that of the provinces, which are forced to make the cuts for it?

• (1425)

Hon. Paul Martin (Minister of Finance, Lib.): Mr. Speaker, first of all, as regards equalization transfers, Quebec comes out the winner. As for subsidies to industry for job creation like those to the aeronautical and pharmaceutical industries, Quebec comes out the winner.

[English]

I think it is very important that we not allow any region of the country to attack any other. The member is absolutely right. When the federal government transfers money to the provinces it does so to protect the basic social programs. If those are visible like child care, like the working income supplement and the protection of medicare then this government will keep on doing it.

* * *

DISTINCT SOCIETY

Miss Deborah Grey (Beaver River, Ref.): Mr. Speaker, it seems that the Liberals just cannot take no for an answer. Canadians said no to Meech Lake and to Charlottetown. The Canadian people continue to say no to distinct society and the special status that it would confer on only one province in this country.

There are reports that the Quebec provincial government and the federal government are working behind the scenes to secure the approval of enough provinces to entrench the distinct society clause in the Constitution.

I ask the Prime Minister does the federal government endorse the constitutional position outlined over the weekend by Quebec Liberal leader Daniel Johnson, yes or no?

Oral Questions

Right Hon. Jean Chrétien (Prime Minister, Lib.): Mr. Speaker, this House of Commons voted a year ago on distinct society.

Again we have the Reform Party and the Bloc Québécois together. Distinct society is very clear to me and it is something I have subscribed to all along. Everybody recognizes that the language in Quebec is different but perhaps the member does not know that. Quebec also has its own culture. Already in the Constitution the civil code of Quebec is the civil law in that province but not in the rest of the provinces. This was done in Canada in 1867 by the Fathers of Confederation.

I know the Reform Party does not want to respect the wishes of the Fathers of Confederation who wanted to have a civil code which was different for Quebec than for the rest of the country. This was among many other distinctions they gave in the Constitution.

Miss Deborah Grey (Beaver River, Ref.): Mr. Speaker, this nonsense continues on. If this is the case, if the Prime Minister is telling us exactly the truth, why in the world did we go through Meech Lake? Why in the world did we go through Charlottetown? Canadians spoke on those issues and they said no.

My question to the Prime Minister is what part of no did he not understand?

Canadians across the country, inside and outside Quebec, want to see a rebalancing of Confederation. They want to see moving government responsibility closer to the people. Canadians also want to see a strengthening of Canada's federal nature and institutions. These are the changes most likely to keep Quebec in the federation, not the empty, divisive rhetoric that we have seen time and time again.

How many times do Canadians have to say no, Canadians across the country, not just in these hallowed halls? Why is the Prime Minister not recognizing 10 equal provinces in this country?

Right Hon. Jean Chrétien (Prime Minister, Lib.): Mr. Speaker, when the member asks for change is she not aware that last Friday the Minister of Human Resources Development was in her own province signing an agreement to change the status quo for a more improved situation in Canada, that it was the Government of Alberta that signed the first labour market accord in Canada last Friday?

This example shows that this government has the right approach. We are changing Canada one program at a time. I know the Reform Party does not understand that. The member does not even know that the premier and the government of her own province agreed to a new formula for manpower in Canada.

Miss Deborah Grey (Beaver River, Ref.): Yes, Mr. Speaker, that is what many of the provinces are calling for. However, I am

not sure that changing the Constitution and entrenching distinct society rights could be labelled as one program at a time. Newfoundland, Nova Scotia, New Brunswick, Prince Edward Island, Manitoba and Saskatchewan are all moving toward entrenching Quebec as a distinct society.

• (1430)

Last winter in the government's throne speech the Prime Minister promised all Canadians, not just politicians or the elite but all Canadians, no matter where they live in the country, a say in the future of the country.

So I ask the Prime Minister this. Will the government assure the House and all Canadians that distinct society for Quebec will not be entrenched in the Constitution unless it is endorsed by a nationwide referendum?

Right Hon. Jean Chrétien (Prime Minister, Lib.): Mr. Speaker, I never said that it would be approved by a nationwide referendum. But when I see that the provinces subscribe to what the House of Commons voted for last December, they recognize the reality of life in Canada; that in Quebec there is the French language, the French culture and a different system for citizens in law. It is in the Constitution.

As I said, in P.E.I. there is a guarantee that whatever the number citizens in P.E.I. there will always be four members of Parliament and they will always have four Senators. Some might say that is a special status for P.E.I. Yes, but it made that deal and we are respecting it. We are not saying that privileges have been given to P.E.I. because it guaranteed to give the House of Commons four good Liberal MPs.

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[Translation]

KREVER COMMISSION

Mrs. Pauline Picard (Drummond, BQ): Mr. Speaker, my question is directed to the Prime Minister.

In a report the government submitted to the Krever Commission last Friday, Judge Krever's approach was qualified as repugnant and without foundation. He was also accused of looking for scapegoats to explain what happened, instead of focusing on making the blood system safer. However, the Krever commission was given a mandate to investigate the events and the shortcomings in the system which led to thousands of Canadians being infected.

Does the Prime Minister endorse the statements in the report submitted by his government to the effect that Judge Krever's attitude is repugnant and that the government is in no way to blame for the tainted blood scandal?

*Oral Questions**[English]*

Hon. David Dingwall (Minister of Health, Lib.): Mr. Speaker, in the absence of the attorney general let me try to respond to the substantive question of the hon. member.

I say to the hon. member that the report which was tabled with the commission was a report of 474 pages. If the hon. member is asking if the government agrees with some inflammatory language that may be contained therein, the answer is no.

[Translation]

Mrs. Pauline Picard (Drummond, BQ): Mr. Speaker, could the Prime Minister tell us why his lawyers say Judge Krever should concentrate on developing a new blood supply system, when no one in this government waited for Judge Krever's recommendations to start negotiations with a number of provinces on setting up a new blood authority?

[English]

Hon. David Dingwall (Minister of Health, Lib.): Mr. Speaker, I think we should be very careful. The fact of the matter is all provincial ministers of health have come together for the purposes of establishing a new national blood authority. All information has been shared with the Krever commission.

I want to assure the hon. member that the report she made reference to, the 474 page document, does contain some inflammatory language. I said in the first response that the government, the Minister of Justice and I do not concur with that inflammatory language.

The commission will have an opportunity later this week to examine the authors of the report; not only to examine the tone of the 474 page document but also to question the authors of that report on its substance.

* * *

● (1435)

NATIONAL UNITY

Mr. Ed Harper (Simcoe Centre, Ref.): Mr. Speaker, the status quo will not cut it. The time has come for the government to realize that its do nothing, do not worry, be happy approach to national unity is the very reason why Canada almost broke apart last year.

Canadians from coast to coast are looking for a revitalized federation. They want to see positive, constructive change. Rather than dividing the country with a distinct society, when will the government present new concrete proposals to revitalize the federation? Where is your plan?

Ms. McLellan: We are doing it.

The Deputy Speaker: Would you address the Chair in all of your questions, my colleague?

Right Hon. Jean Chrétien (Prime Minister, Lib.): Mr. Speaker, I think that the hon. member was not in the House when we tabled the speech from the throne in February where we gave a full plan of changes in Canada. Many of these plans and ideas have been implemented so far.

For example, we have signed an agreement with the province of Alberta on manpower training. We are out of forestry now. We are out of mining. We have transferred most of the airports to municipalities and are in the process of doing that with some of the ports.

A lot of the plans that were in the speech from the throne have been implemented but of course the hon. member did not know that. We are doing it program by program, idea by idea. That is the best way.

As far as a distinct society is concerned, we voted last December and for somebody who wants to keep the country together it was noted in Quebec that they voted against it.

Mr. Ed Harper (Simcoe Centre, Ref.): Mr. Speaker, it is obvious from the response of the Prime Minister that there is no plan because in there somewhere he talked about airports. I do not know what that has to do with the unity of this country.

The old vision has not worked. Its defenders continue to create divisions on cultural and linguistic lines, pitting one region against another and preserving the status quo. Will the Prime Minister assure the House that all voters and not just governments will have a say on this issue through a national referendum?

Right Hon. Jean Chrétien (Prime Minister, Lib.): Mr. Speaker, we have political programs when we have elections. I know that the Reform Party will have one. To deny the reality that in Canada 25 per cent of the population speaks French is denying a reality that it is a source of strength in Canada.

They are different in Quebec because the majority of the people speak French. They have a French culture and the civil code which was given by the Fathers of Confederation in 1867, making them different from the rest of the country.

Some of the provinces have some special rights when it comes to education. For example, last week we voted to change some special rights that exist in the Constitution for education in the province of Newfoundland. There are some special rights for education in Quebec too in the Constitution that were put there by the Fathers of Confederation in 1867 as there were at the time of entry into Confederation in the late fifties of Newfoundland.

Oral Questions

[Translation]

CANADIAN SPACE AGENCY

Mrs. Pierrette Venne (Saint-Hubert, BQ): Mr. Speaker, my question is directed to the Minister of Industry.

Last week, the media reported on some questionable practices involving the Canadian Space Agency and its president. However, it seems that a number of ministers and the Prime Minister himself were informed several weeks ago of the serious allegations against the president and his executive vice-president.

Could the minister indicate whether he has checked or investigated these allegations to shed some light on the practices reported at the Canadian Space Agency?

Hon. John Manley (Minister of Industry, Minister for the Atlantic Canada Opportunities Agency, Minister of Western Economic Diversification and Minister responsible for the Federal Office of Regional Development—Quebec, Lib.): Mr. Speaker, the serious allegations referred to by the hon. member were about the fact that a secretary destroyed handwritten notes before they had been typed. That is all. I do not think it is that serious.

Mrs. Pierrette Venne (Saint-Hubert, BQ): Mr. Speaker, if the minister thinks these allegations are not all that serious, why does he not ask for a public and independent inquiry to remove any suspicions about the practices of the space agency which apparently did not conform to established guidelines, so the credibility of the Canadian Space Agency and its president can be restored?

• (1440)

[English]

Hon. John Manley (Minister of Industry, Minister for the Atlantic Canada Opportunities Agency, Minister of Western Economic Diversification and Minister responsible for the Federal Office of Regional Development—Quebec, Lib.): Mr. Speaker, I take a great pride in my responsibilities as minister responsible for the Canadian Space Agency. It is something of which all Canadians should be proud.

What I find most often is an issue about pride in the Canadian Space Agency raised to me is the notion that it is located in the riding of someone who wants to break up the country that it represents.

* * *

KREVER INQUIRY

Mr. Grant Hill (MacLeod, Ref.): Mr. Speaker, Canadians, especially those infected with AIDS and hepatitis C trust Judge Krever to get to the bottom of the tainted blood scandal. They do

not trust the Prime Minister and this Liberal government who have blocked Krever in court, denied access to documents and now are even impugning Judge Krever's motives.

Why is the Prime Minister and the Liberal government trying to undermine Justice Horace Krever and his attempt to tell Canadians the honest truth about what happened to the tainted blood?

Hon. David Dingwall (Minister of Health, Lib.): Mr. Speaker, the premise to the hon. member's question is false.

Mr. Grant Hill (MacLeod, Ref.): Mr. Speaker, between 1980 and 1985 when this tragedy was going on, the Prime Minister was justice minister and then Deputy Prime Minister. In fact, in those days the health minister was the House leader.

Could this have anything to do with the fact that they do not want Justice Krever to find out the truth?

Hon. David Dingwall (Minister of Health, Lib.): Mr. Speaker, the hon. member should understand that each and every year literally hundreds upon hundreds of requests are made of the Privy Council Office to have access to cabinet confidences.

What the hon. member is making reference to is a cabinet confidence. As told to the hon. member and as told to the House not once, not twice, but on three previous occasions, there are other ways in which commission counsel can have access to that information by subpoenaing, if necessary, individuals who could elaborate on the various facts that apparently are important to the commission and its counsel.

There are ways this information can be gathered other than releasing cabinet confidences.

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[Translation]

CANADA POST CORPORATION

Mr. Paul Crête (Kamouraska—Rivière-du-Loup, BQ): Mr. Speaker, my question is for the minister responsible for the Canada Post Corporation.

Since the minister announced that the corporation would no longer be allowed to carry on the well-paying distribution of advertising mail, her decision has met with strong disapproval. Yesterday, more than 1,000 people braved the cold to protest on Parliament Hill and in front of the Prime Minister's residence. It should be noted that this is the largest collective layoff in Canada's history, with 10,000 jobs disappearing because of the government's deliberate action.

Before putting these 10,000 workers out into the street, and given the impact of such a decision on Canada Post's finances, will the minister have the courage to take a closer look at the issue and to reconsider her decision?

Oral Questions

Hon. Diane Marleau (Minister of Public Works and Government Services, Lib.): Mr. Speaker, Mr. Radwanski consulted Canadians right across the country. He came to the conclusion that the Canada Post Corporation should first concentrate on its primary role, which is to provide the best possible mail services to all Canadians.

He also found that Canadians from all over the country do not want the corporation to deliver unaddressed advertising mail. He agrees with the persistent allegations of unfair competition made against Canada Post in this regard. After reviewing Mr. Radwanski's report, the government decided to ask Canada Post to stop delivering unaddressed advertising mail, and we will stick to our decision.

Mr. Paul Crête (Kamouraska—Rivière-du-Loup, BQ): Mr. Speaker, the minister forgot to mention that Mr. Radwanski's logic, which is now the government's logic, will lead directly to an astronomical tariff increase or to a reduction in services that could adversely affect postal services in Canada.

• (1445)

Does the minister realize that almost all Canadians living outside large centres will not be served by private distributors of advertising mail, and that they will no longer benefit from Canada Post's own mailout distribution service, Admail?

Hon. Diane Marleau (Minister of Public Works and Government Services, Lib.): Mr. Speaker, this is not true. We expect this responsibility to be transferred to the private sector. In fact, out of these 9,850 part time employees, 20 per cent have already indicated that they are no longer able to deliver these mailouts, even if there is still work to be done at Canada Post with this advertising mail.

* * *

[English]

EMPLOYMENT

Ms. Judy Bethel (Edmonton East, Lib.): Mr. Speaker, my question is for the Minister of Human Resources Development.

Last Friday, the government entered into an historic partnership with the province of Alberta. How will the new Canada labour market development agreement ensure that unemployed Albertans will get effective results based training they need for the real jobs in Alberta's labour market?

Hon. Pierre S. Pettigrew (Minister of Human Resources Development, Lib.): Mr. Speaker, it was indeed an historic agreement that was signed last week with the Government of Alberta.

The Government of Alberta will be able to respond to local market conditions to help unemployed people go back to work. The accountability framework, which is included in the agreement,

refers to the number of people who will be returned to work with the help of those programs.

It is results based. It is results oriented. We will be able to measure how much money has been saved on the employment insurance account. The Government of Alberta will report every year to Parliament because we are responsible to all Canadians for how much has been done.

[Translation]

This means that from now on a worker in Alberta, in the member's riding for instance, will no longer have to wonder whether the program is federal or provincial. A single wicket will provide workers with the opportunity to return to work without any hassle.

* * *

[English]

SOFTWOOD LUMBER

Mr. Bill Gilmour (Comox—Alberni, Ref.): Mr. Speaker, the Minister for International Trade has been claiming that the sawmill industry is on side and that the industry is happy with the Canada-U.S. softwood lumber agreement.

However, several Quebec lumber companies are now taking the minister to court over the export quotas they have received under the agreement. They say the minister bungled the quotas. The industry claims the minister missed the boat when he set the quotas. It wants the minister to quash the present allocation and issue quotas that are more in line with reality. Thousands of jobs are being lost across the country because the minister bungled the deal.

What specific action does the minister plan to take to resolve this situation?

Mr. Ron MacDonald (Parliamentary Secretary to Minister for International Trade, Lib.): Mr. Speaker, as the hon. member knows, the Canada-U.S. softwood lumber agreement was not arrived at overnight.

It was arrived at after the federal government, representing the five provinces, impacted the six industry associations. Three different sectors in the industry were widely consulted. I understand that two companies at the present time are proceeding with some legal action.

I wish to assure the hon. member that the system the government is currently responsible for was one arrived at after an incredible amount of consultation. The six industry associations and the five provinces impacted still support the deal.

I urge the hon. member, if he has more questions, to consult with the industry association in his province that supported this deal.

Oral Questions

Mr. Bill Gilmour (Comox—Alberni, Ref.): Mr. Speaker, the parliamentary secretary continues to blame the industry for the job losses.

Industry did not negotiate the softwood deal. This government did. The minister claims that the industry set the standard for the deal. Allow me to set the record straight.

The companies agreed to a reduction of 9 per cent of the 1995 exports of softwood lumber to the U.S., yet the majority of lumber producers had their quotas reduced by not 9 per cent, but 30 to 40 per cent. That is the problem.

Lumber companies are now demanding that the government cancel the softwood lumber deal. Will the government fight for Canadian jobs and cancel the softwood lumber agreement with the United States?

• (1450)

Mr. Ron MacDonald (Parliamentary Secretary to Minister for International Trade, Lib.): Mr. Speaker, the Canadian government lives up to its international commitments, especially those that it entered into after a great deal of consultation with five provincial governments, six industry associations and all of those that have been affected.

If the member opposite was truly interested in jobs in the lumber industry he would support the sawmills, the lumber associations and the provincial governments who insisted on having this type of a deal.

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[Translation]

PORT OF TROIS-RIVIÈRES

Mr. Yves Rocheleau (Trois-Rivières, BQ): Mr. Speaker, my question is for the Minister of Transport.

The port of Trois-Rivières is one of the most cost efficient and profitable in Canada. In 1995 alone, shipping activities increased by 45 per cent compared to the previous year. And yet, as a result of decisions by the federal government, it might lose its national port status and, consequently, its international stature.

Since the port of Trois-Rivières meets all the criteria to be recognized as a Canadian port authority, and since all stakeholders agree that it does, could the minister commit now to recognizing the role and significance of the port of Trois-Rivières by granting it Canadian port authority status?

Hon. David Anderson (Minister of Transport, Lib.): Mr. Speaker, the Prime Minister mentioned this issue when he was in Trois-Rivières a few days ago.

The fact is, the member should realize that Bill C-44 has not been passed yet. Before changing the whole system, we must wait for the new legislation to be in place. Thanks to the committee's hard work, the bill is now back in the House. I hope for a quick decision of the House on this bill. Only then will we be able to make a decision.

There is no problem for Trois-Rivières to wait for the legislation to be passed.

Mr. Yves Rocheleau (Trois-Rivières, BQ): Mr. Speaker, out of respect for what people want, can the minister assure us that, in making his evaluation, he will endorse the chamber of commerce, the evaluation committee, the Corporation économique de développement industriel et commercial and the cities of Trois-Rivières, Trois-Rivières Ouest, Grand-Mère and Shawinigan—in the Prime Minister's riding—that he will abide by the will of the community instead of yielding to a small group who is hustling around the Trois-Rivières Liberal Association?

Can he assure us that the \$12 million reserve accumulated over the years by the port of Trois-Rivières will not be siphoned off to the Canadian consolidated fund like the reserve of the port of Quebec was by the previous Tory government?

Right Hon. Jean Chrétien (Prime Minister, Lib.): Mr. Speaker, I very seldom use my privilege. The member was absent on Friday. I spoke with the mayor of Trois-Rivières and on CHLN. The member is three days late.

I said that once the bill is passed, the government will want the port to maintain its present status. If the bill is passed as it was proposed by the minister, Trois-Rivières will qualify.

The member's information is exactly three days late.

* * *

[English]

RADIO CANADA INTERNATIONAL

Mr. Jim Abbott (Kootenay East, Ref.): Mr. Speaker, the House knows that the heritage minister is highly creative in funding her pet projects, such as flying flags or her special information office. However, she seems to be incapable of finding funding for Radio Canada International.

Does she think it is more important to have a highly respected international radio voice whose job it is to promote Canada to the world at a cost of \$16 million or a highly politicized secret Canada information office whose job it is to promote Liberal pre-election propaganda to Canadian voters at a cost of \$20 million?

Mr. Guy H. Arseneault (Parliamentary Secretary to Deputy Prime Minister and Minister of Canadian Heritage, Lib.): Mr. Speaker, I am quite amazed at the question posed by the hon. member. On March 28 the hon. member for Kootenay East said that

Oral Questions

the Minister of Canadian Heritage had picked the pocket of the CBC by supporting Radio Canada International and giving it finances.

I would say that he is picking and choosing himself.

Mr. Jim Abbott (Kootenay East, Ref.): Mr. Speaker, the reality is that subsequently the minister removed \$414 million from CBC funding. The minister is slashing and burning the CBC and she is getting away with it with impunity.

• (1455)

Four hundred and fourteen million dollars was removed which is why the CBC removed its funding for Radio Canada International. The Reform Party position is to see continued public funding for CBC Radio and privatization for CBC television.

What is the position of the government? Is it going to find funding for Radio Canada International, yes or no?

Mr. Guy H. Arseneault (Parliamentary Secretary to Deputy Prime Minister and Minister of Canadian Heritage, Lib.): Mr. Speaker, the hon. member never ceases to amaze me. The Reform Party wants to privatize the CBC. We have just approved \$800 million for the CBC budget, a measure which the Reform Party voted against. We have a \$200 million production fund which the Reform Party voted against.

The Reform Party wants to privatize the CBC. It wants to play politics with it.

* * *

TRANSIT STRIKE

Mrs. Beryl Gaffney (Nepean, Lib.): Mr. Speaker, my question is for the Minister of Labour. For two weeks a bus strike has been in effect in this region. Students, seniors, the poor and the business community have been seriously affected.

Rather than taking the side of either labour or the transit commission, will the government take the side of the transit user? Will the minister legislate an end to the OC transit strike before this House rises?

Hon. Alfonso Gagliano (Minister of Labour and Deputy Leader of the Government in the House of Commons, Lib.): Mr. Speaker, the Canada Labour Code which governs these talks provides for free collective bargaining. I think we should allow the free collective bargaining system to work the way it works in most cases, especially in this case.

I said on Friday that I was inviting both parties to go to the negotiating table. They asked me to appoint a mediator which I did right away. They should use the services of a mediator. Instead of asking the minister to legislate they should mediate. They should go to the negotiation table and do their work. That is what I am asking. I asked them on Friday and I ask again today: Go to the negotiating table and settle the problem.

[Translation]

CANADIAN INTERNATIONAL AIRLINES

Mr. Paul Mercier (Blainville—Deux-Montagnes, BQ): Mr. Speaker, my question is for the Minister of Transport.

The Canadian International issue shows once again the government's inability to make rational decisions in order to solve problems. Indeed, whether it be deregulation or assistance measures for Canadian International, the government is completely lost.

How can the minister say that he set up a committee on the return to regulation in transportation when he has always preached deregulation? Are we to understand that the only solution found by the government was to set up an inefficiency and mismanagement bonus through its selective reduction of taxes applicable in reality only to those who intend to stay non cost-effective?

[English]

Hon. David Anderson (Minister of Transport, Lib.): Mr. Speaker, I am happy to have the support of the hon. member for the government's program of deregulation in the airline industry. We have absolutely no plans to re-regulate the industry. We have no intention of doing it.

What I offered to Mr. Buzz Hargrove of the auto workers Thursday of the week before last, more than 10 days ago, was that I would look at a report he gave to me on certain airline industry issues. He rejected it out of hand. I repeated the offer to look at the report he had given me. I repeated it last week and he rejected it again quite bitterly. I then put it in writing and he rejected it again.

He has now accepted the offer. My only regret is that if he had done so over 10 days ago, millions of dollars of ticket sales would have taken place for Canadian. Unfortunately the company did not get those sales because of the intransigence of Buzz Hargrove.

* * *

ZAIRE

Mr. Bob Mills (Red Deer, Ref.): Mr. Speaker, it is more than obvious that the mission to eastern Zaire was little more than a dream in the Prime Minister's mind. Not only did our troops never deploy to the proper area, but we are getting little local co-operation and the crisis has diminished.

It is only the government's big-headed pride that is going to force our soldiers to miss Christmas with their families for no reason. How long is the government prepared to leave our troops stranded in Africa with no real mission, just to satisfy the Prime Minister's ego?

Oral Questions

• (1500)

Hon. Douglas Young (Minister of National Defence and Minister of Veterans Affairs, Lib.): Mr. Speaker, this is a very sad commentary on a situation that has improved dramatically to a point that it is unparalleled in history to see so many people repatriated without the firing of a single shot, without having to commit anybody into a dangerous situation on the ground.

People around the world understand that the initiative led by the Prime Minister of Canada has led the single largest repatriation of humanity in history.

* * *

UNEMPLOYMENT

Mr. Chris Axworthy (Saskatoon—Clark's Crossing, NDP): Mr. Speaker, my question is for the Minister of Finance.

We know now that unemployment in Canada is stuck at 10 per cent. Yet in Saskatchewan with a New Democrat government the unemployment rate is the lowest in the country. We know too from the government's own studies that unemployment costs the country billions and billions of dollars in lost revenues and would contribute to addressing the deficit had the problem of unemployment been addressed.

Knowing that the government of Saskatchewan has developed a partnership approach to dealing with the economy which has generated an unemployment rate that is the envy of the country, when will the Minister of Finance speak to the minister of economic diversification and development in Saskatchewan to find out how to deal with unemployment?

Hon. Paul Martin (Minister of Finance, Lib.): Talking about partnerships, Mr. Speaker, if the hon. member wants to take a look at what the government has introduced, whether it is technology partnerships by the minister of energy; Team Canada which has become one of the most important innovations in international trade around the world and is in fact a partnership with the federal government, the provincial governments and the private sector; or the multitude of youth programs introduced by the minister of HRD, he would see before him a government committed to partnership. It is the reason the private sector created over three-quarters of a million jobs.

In terms of Saskatchewan we are delighted to see the tremendous number of new jobs created, with retail sales going up as a result of the agricultural boom occurring in western Canada. I would certainly thank the senior minister from Saskatchewan, the minister of agriculture, for what is going on in Saskatchewan.

[Translation]

CANADIAN ECONOMY

Hon. Jean J. Charest (Sherbrooke, PC): Mr. Speaker, my question is directed to the Minister of Finance.

Now that we know the Prime Minister and the Minister of National Defence are completely out of touch with the real situation in Zaire, and the Minister of Finance has just announced that the agriculture industry is booming, although the price of grain is dropping, I would like to know if the Minister of Finance is aware that, under his government, Canadians are getting poorer.

I wonder whether it is because they only show him the bank statements, or maybe he only gets the news about the stock exchange or about our exports. Does he know that real incomes are going down and that the unemployment rate is the highest it has been since the depression in the 1930s? Is the Minister of Finance in touch—

The Speaker: The Minister of Finance has the floor.

Hon. Paul Martin (Minister of Finance, Lib.): Mr. Speaker, perhaps I could provide some figures to help the hon. member.

The annual rate of 3.3 per cent in the third quarter is the highest rate since the end of 1994. Since we came to power, three quarters of a million new jobs have been created in this country.

Interest rates are at their lowest level in 40 years. Inflation is low. Manpower productivity is rising. Our competitive position, compared with the United States, is the best it has been in 46 years.

[English]

Let us take a look at what kind of shape the country was in three years ago when we took office. There were 39 tax increases and we have not increased personal taxes once. The debate is now how to lower them. We have become the major exporting country in the world—

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• (1505)

PRESENCE IN GALLERY

The Speaker: I draw the attention of hon. members to the presence in the gallery of Mr. Victor Musiyaka, Deputy Speaker of the Parliament of Ukraine.

ROUTINE PROCEEDINGS

[*Translation*]

GOVERNMENT RESPONSE TO PETITIONS

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

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CANADA SHIPPING ACT

Hon. Alfonso Gagliano (for the Minister of Transport) moved for leave to introduce Bill C-73, an act to amend the Canada Shipping Act and other acts as a consequence.

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

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[*English*]

PETITIONS

CANDU REACTORS

Mr. Len Taylor (The Battlefords—Meadow Lake, NDP): Mr. Speaker, I am pleased today to present a petition pursuant to Standing Order 36.

The petitioners note that Canada is currently undertaking to conclude the sale of two Candu nuclear powered reactors to China and in so doing will commit \$1.5 billion of the Candu deal with China to be financed by the Export Development Corporation.

The petitioners also note China's record of military assistance to countries known to have clandestine nuclear programs and that China's human rights violations are notorious both at home and in Tibet.

The petitioners therefore request that Parliament cancel the planned sale of Candu reactors to China and immediately withdraw from all arrangements concerning financial and technical assistance to China for the nuclear reactor technology.

TRIPLE E SENATE

Mr. Jim Abbott (Kootenay East, Ref.): Mr. Speaker, it is my pleasure to present a petition.

In 1996 the province of Alberta is represented by an unelected, unequal and ineffective Senate. The petitioners point out that in the 21st century the electorate of Alberta wishes to be represented by an elected, equal and effective Senate.

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• (1510)

They therefore call upon Parliament to affirm its commitment to a triple E Senate and immediately move to permit the selection of senators by the people of Alberta.

GOODS AND SERVICES TAX

Mr. John Solomon (Regina—Lumsden, NDP): Mr. Speaker, pursuant to Standing Order 36 it is my pleasure to present a petition on behalf of constituents of Regina—Lumsden as well as individuals living in Edenwold, Milestone, Siltou and other parts of the province of Saskatchewan.

The petitioners are concerned about the application of the GST to reading materials. They believe it is unfair and wrong. Education and literacy are critical to the development of our country and a regressive tax on reading hampers that development.

They call upon Parliament and the Government of Canada to demonstrate their commitment to education and literacy by eliminating sales tax on reading materials. They ask Parliament to zero rate books, magazines and newspapers under the GST and to zero rate reading materials under the proposed harmonized sales tax.

They also ask the Prime Minister and the Government of Canada to carry out his party's repeated and unequivocal promise, which he has broken, to remove federal sales tax from books, magazines and newspapers.

* * *

QUESTIONS ON THE ORDER PAPER

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

The Acting Speaker (Mr. Milliken): Is that agreed?

Some hon. members: Agreed.

GOVERNMENT ORDERS

[*English*]

FINANCE

FIFTH REPORT OF STANDING COMMITTEE

The House resumed consideration of the motion.

Mr. Andy Mitchell (Parry Sound—Muskoka, Lib.): Mr. Speaker, as I mentioned earlier, I will be sharing my time with the hon. member for Ottawa West.

I am pleased to have the opportunity to participate in this prebudget debate. As the finance committee outlined in its recent

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report, the government has made good progress in meeting its economic and fiscal objectives. The 1997 budget is the time to stay the course and finish the job.

When the Liberal Party formed the government in 1993 it had as its agenda jobs and growth. Since that time it has made progress, although more needs to be done. Yet the record is clear. At the end of November nearly 650,000 more Canadians had jobs than when we assumed office three years ago. The last year alone saw the private sector create almost 223,000 new jobs. That is not yet good enough, but when we compare this job growth to the three years prior to our coming to power when thousands of jobs were actually lost we see that progress is being made.

Canada has also achieved economic growth. Since October 1993 the GDP has significantly expanded. In the third quarter of this year real GDP rose 3.3 per cent. Canada is expected to have the strongest growth among all G-7 nations next year.

These successes have been solid accomplishments. More important, the pace at which the economy and employment is expanding is and will likely continue to increase. They will do so because the government has a specific and well designed strategy to support growth and job creation. It is this strategy I should like to take a few minutes to speak to.

The government's plan addresses both immediate and long term job creation needs through five key components. First, it will set the appropriate macro economic conditions to keep interest rates low and to encourage investment. Second, it will get government right by ensuring that government programs and policies contribute to a more productive economy. The third part of the strategy is to ensure that we create opportunities for Canadian businesses to grow by selling in the world economy. Fourth, it will invest in growth through strategic investments in new technology, in worker skills and in capital projects such as infrastructure. Fifth, it will help Canadians to adapt by encouraging them to adjust to the new economy, helping small business grow and prosper and reducing the regulatory burden on business.

That strategy is working because the Minister of Finance and the government have understood the importance of appropriate fiscal and economic policy and have carried out these policies as well as any nation in the industrialized world.

• (1515)

On our first priority of setting healthy economic fundamentals, the accomplishments are significant. Interest rates are at their lowest level in 40 years. Inflation is at its lowest sustained level in 30 years and both factors are leading to increased investment and business confidence. In the last quarter alone business investment in manufacturing equipment and machinery was up by almost 33 per cent. This increased confidence leads to increased jobs.

On the second priority, we are getting government right. When we took office the deficit was \$42 billion, almost 6 per cent of GDP. In the present budgetary plan, after the two year cycle, it will drop to \$9 billion, or 1 per cent of GDP. That is an 80 per cent decrease. We will have gone from having the second worst record on the deficit among the G-7 countries to having the very best. We have achieved this success not by emphasizing increased taxation rates but by getting government right and by reducing spending.

Together our last three budgets have put in place savings which will build to \$29 billion annually by the fiscal year 1998-99. By that time departmental spending will be 21.5 per cent lower than in 1994 and program spending will have declined by 14 per cent from where it was in 1992-93. Most important, the Minister of Finance is expected to table a budget with a two year plan which for the first time in 30 years will not require the federal government to enter into new borrowings. This will free investment for the private sector and will lower the economic drain of interest payments to foreign debt holders.

As I mentioned earlier, these actions have led to low inflation and low interest rates. The records show that in the long run countries with sustained low inflation tend to have lower unemployment rates.

On the third point of creating opportunities through trade, the government has again made good progress. The volume of Canadian exports has increased by 28 per cent since we assumed office. It now makes up 52 per cent of the real value of total Canadian production. In September 1996 exports were \$201 billion and the trade surplus was \$28 billion. Most important, it is estimated that this improvement in Canada's trade balance has created about 275,000 jobs in the last two and a half years.

The fourth component of the government's job agenda has been to invest in growth and to give Canadian businesses and workers the opportunity to succeed in today's economy. This investment has taken many forms, including technology initiatives. They are initiatives such as the establishment of Technology Partnerships Canada, a \$250 million fund to lever private investment in the strategic high tech sectors of the economy. There is a new investment of \$50 million in the Business Development Bank of Canada. There is the community access program which allows rural communities to access the information highway. There are many other initiatives such as the industrial research assistance program and the sectoral partnership initiative. These initiatives are making Canadians more competitive and will lead to future job creation.

The fifth component of the government's plan in our jobs and growth agenda is to help Canadians adapt. Nowhere has this initiative been more strongly pursued than in our assistance to small businesses. We have helped increase access to capital by expanding the small business loans program from \$4 billion to \$12 billion. We have expanded the asset base of the Business Development Bank from \$3 billion to \$15 billion and the Minister of Industry has established a community investment plan which

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allows communities to match individuals in their areas that have investments with the businesses that need that investment in order to grow in their communities and to create jobs.

We have helped business to access information through the development of Strategis, the largest business web site in Canada. It provides our businessmen and women, the entrepreneurs who go out every day and put it all on the line, with the information they need to be successful.

• (1520)

With a lower tax rate on small business earnings under \$200,000 and the \$500,000 lifetime capital gains exemption, it will allow a small business person to continue to invest their earnings back into the business and ensure that they have some sort of wealth when it comes time for them to retire.

The government has managed the Canadian economy well. The deficit is down substantially, spending is down, social programs have been reformed to ensure their sustainability, exports are up, new investments in technology and infrastructure are taking place to secure our future.

In conclusion, the economy is growing. It is real progress. It is not enough yet and that is why the government intends to stay the course and finish the job.

Ms. Marlene Catterall (Ottawa West, Lib.): Mr. Speaker, I want to follow on the comments of my colleague for Parry Sound—Muskoka, on the economic accomplishments of our government over the last three years, and talk about how this ways and means motion before the House today represents the spirit of many of those accomplishments.

It is a bill primarily about taxation measures. It demonstrates admirably how one can tighten up the tax system, make it fairer, but also through the tax system achieve other social goals and goals for society.

I mentioned fairness. Our government has taken a number of measures to make the tax system fairer for Canadians. Many of them are contained in this bill. The motion will amend the Bankruptcy and Insolvency Act, the Canada Pension Plan, the Children's Special Allowances Act, the Customs Act, the Old Age Security Act. It makes amendments to numerous bills which are based on the principle of fairness and achieving a social objective as well.

Since the draft amendments which are represented in the bill were first released in 1995 many helpful comments and suggestions from taxpayers have been heard and these are by and large incorporated in the bill before us today.

[*Translation*]

First of all, millions of Canadians are putting time and money into non-profit voluntary and charitable organizations. Their efforts are indicative of the collective response to urgent human needs, particularly in a period of fiscal restraint. To encourage these efforts, the percentage of net income to which a tax break for charitable donations applies will increase from 20 to 50. It will be 100 per cent in the case of testamentary gifts.

[*English*]

The legislation will also provide extra support for the education of our young people by increasing the limit on the transfer of education and tuition credits. To assist parents or spouses helping to support the cost of studies, if the student is unable to take full advantage of the tax credits related to the cost of their education, the ceiling will be lifted so that additional credits can be transferred to a spouse, parent or guardian responsible for the costs of the education. That increase is 25 per cent, from \$4,000 to \$5,000.

We also have taken a number of measures over time to assure Canadians that the system is fair, that if they are paying their fair share of taxes, to the greatest extent so is everybody else. We have done that in a number of ways.

First, it has been a question of tightening up our taxation system, closing a number of loopholes. For instance, through a concerted effort we have increased overall general compliance with the collection of taxes to the tune of \$7.7 billion extra taxes collected.

• (1525)

Special compliance measures in selected areas have led to the collection of an additional \$500 million in taxes. Accounts receivable have been reduced through a number of different measures. We have given Revenue Canada a greater ability to obtain the information it needs to ensure that taxes are applied fairly and that they are being collected.

Our mandate has given people some assurance that people are paying their fair share. I do not think there is one of us who has not heard repeatedly, every time we have had to cut a program or reduce spending in one area or another, that we should be closing those tax loopholes and taxing the corporations. A number of measures have been taken to address those fairness issues that bother so many of our constituents.

We have tightened the rules on the forgiveness of business debt. We have improved the rules preventing the artificial or premature recognition of tax losses. We imposed a 12 per cent capital surtax for banks and other deposit institutions. We have tightened up to

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eliminate abuses in the energy sector while at the same time making it a more level playing field for renewable energy sources that can then compete with the more traditional energy sources and on a fairer basis.

We have introduced tighter rules governing the taxation of family trusts. We have addressed the whole issue of assets abroad both in individual taxation reporting and in the taxation reporting of businesses so that businesses with assets abroad will now have to disclose them. Property owners with assets of more than \$100,000 will be required to disclose them. The government will then be better able to monitor the collection of taxes from wealthier taxpayers.

We are planning to stop the practice of moving assets offshore to avoid paying taxes. This is an age old abuse of the system which Canadians want to see brought to an end.

This bill also takes the necessary steps to protect the future of our Canada pension plan. Until now, when businesses were in receivership payment of the employer's CPP contributions often went delinquent once the business had finally declared bankruptcy. Remaining assets were divided among the creditors and the CPP contributions were left unpaid.

The legislation before us today will ensure that CPP and similar employer contributions owed to the government will now have priority. In this time of fiscal restraint Canadians can no longer afford to see the valuable dollars that support their social programs slip from the hands of government.

Through the taxation system we have done a number of things to improve child support and support to low income families. This is a massive piece of legislation before the House today. I have been able to touch briefly on a few of its provisions but with an emphasis on pointing out to Canadians that throughout our three budgets and the measures to implement those budgets there has been a tremendous effort to assure Canadians that all Canadians are paying their fair share, that we are closing those tax loopholes that make Canadians suspicious of one another from time to time and that we are doing our best to ensure not only that we are spending wisely but that we are collecting revenue in a wise and fair manner as well.

[*Translation*]

Mr. Richard Bélisle (La Prairie, BQ): Mr. Speaker, in its pre-budget report issued last week, the Liberal majority on the Standing Committee on Finance identified six areas that have been targeted for action and that were described at length by the committee's chairman this morning. These are child poverty, the disabled, literacy, students, who are facing ever-mounting costs, scientific research, and voluntary and charitable organizations.

• (1530)

According to the committee chairman, the action the committee is looking at would cost the Canadian government approximately \$2 billion annually. While we are not lacking in compassion for the citizen groups identified here, we can see the Liberals sliding back into their old ways: as soon as the deficit drops a bit, they talk about launching off once again into the mad spiral of public spending.

The main point here is that, by slashing provincial transfer payments, the Liberals have forced the provinces in turn to make drastic cuts to spending on health, education and social assistance.

The Liberals are offloading the disagreeable task of balancing the budget onto the provinces. And they talk about helping certain very specific groups that are already feeling the effects of provincial budget cutbacks that, in turn, came about because of federal cuts in transfer payments to these very provinces. Talk about cynicism.

Eighty-four per cent of the reduction in the deficit to date comes from cuts to provincial transfer payments, while only 16 per cent comes from leaner government administration. We would have expected the reverse. Yes, the federal government is offloading its deficit onto the backs of the provinces, who must, in turn, cut direct services to the public.

Let us take a closer look at how the Liberals are trying to lower the Canadian deficit.

If we assume that the Liberals will be going to the polls after bringing down their next budget, and that the Minister of Finance's most recent forecasts will not change in the meantime, the Liberals will have lowered the deficit by \$25 billion during their term of office.

This \$25 billion saving breaks down as follows: budgetary revenue will have gone up by \$23.1 billion, while program spending will have gone down by \$14.4 billion, for a net result of \$37.5 billion. However, during this same period, the money spent to service the debt will have increased by \$9.5 billion, and the plan is to set aside a \$3 billion reserve in 1997-98 for contingencies, for a total of \$12.5 billion, leaving us with a net amount of \$25 billion.

During the four-year period between 1993-94 and 1997-98, revenues will have risen by \$23.1 billion, for the following reasons: personal income taxes have increased by \$15.1 billion; corporate taxes by \$7.1 billion; GST revenues by \$3 billion and unemployment insurance contributions by \$1.3 billion. On the other hand, there will have been a drop of some \$3.4 billion in other tax and non-tax revenues.

Consequently, the increased revenue comes totally from an increased tax burden on businesses and individuals, even if the Minister of Finance boasts of not having increased personal

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income taxes since he has been minister. Part of this rise in revenue can be explained by the upturn in the economy, but you will agree that this is a minimal effort, considering how weak our economy is.

For example, between the third quarter of 1993 and the second quarter of 1996, revenues from personal income tax increased by \$8.8 billion, or 17.1 per cent, while personal incomes rose by only 7.4 per cent over that same period. One can, therefore, conclude that the fiscal effort being demanded of Canadian taxpayers is still higher under the Liberals.

During the period from 1993-94 to 1997-98, program expenditures will have dropped by \$14.4 billion for the following reasons: transfers to individuals will have decreased by \$600 million; transfers to other levels of government by \$6.8 billion; and grants and other transfers by \$4.7 billion.

• (1535)

Consequently, government expenditures account for only \$2.3 billion of the \$14.4 billion in total cuts, or as I said before, 16 per cent of the whole. Thus, more than 80 per cent of cuts in federal expenditures come from transfers and grants to third parties, transfers to the provinces in particular. The government has not, therefore, tidied up its own backyard; instead, the federal government has forced the provinces to tidy up theirs.

According to the government's budget plans, under the Liberal regime, unemployment insurance benefits will still lag behind contributions by approximately \$5 billion. The Liberals are taxing jobs to the tune of \$5 billion annually, to reduce their deficit artificially.

When the Minister of Finance claims he must build up a reserve to prepare for the next recession, we should ask him where this reserve is. Where does he keep those \$10 billion, \$15 billion, even \$20 billion he brashly took out of the pockets of workers and employers? The Minister of Finance is using this surplus to finance his deficit. He practically admitted as much in the House on October 10, and I quote: "—that the government return the unemployment insurance fund—to the consolidated revenue fund".

This means that the government pockets the fund's \$5 billion surplus to finance its program spending and other expenditures. The Minister of Finance did not say he was putting the money from the unemployment insurance fund in a separate reserve account but in the government's consolidated revenue fund. Consequently, the federal government's real deficit is \$5 billion more annually than the minister claims in his eloquent speeches.

Today the unemployment insurance fund has a major surplus, mainly due to repeated cuts in the unemployment insurance program over the past six years. The present surplus, plus the

forecast drop in future costs as a result of unemployment insurance reform, would give the government a chance to reduce premium rates substantially and thus promote job creation in this country.

The federal government has not contributed to the unemployment insurance fund since 1989, but it goes ahead and draws on the surplus as though it were some kind of income tax. It is not up to wage earners or their employers to absorb the deficit but to all Canadian taxpayers.

The annual surplus for the next few years is expected to be around \$5 billion, mostly as a result of new provisions that will come into effect as of January 1, 1997 and make it even more difficult to qualify for benefits, in addition to reducing the actual amount of the benefits themselves.

The last recession cost us about \$20 billion in unemployment insurance. However, the chief actuary, Mr. Bédard, told the *Financial Post* on October 1, 1996, that because of permanent cuts in the program, the next recession would not be as costly.

At the November 4 hearing of the Standing Committee on Finance, the Conseil du patronat du Québec requested a reduction of 45 cents in unemployment insurance premiums. The proposed reduction of 5 cents was mere window dressing, as far as the Conseil du patronat was concerned, and would have practically no impact on the economy, according to them.

As for monetary policy and its impact on unemployment, our position in the Bloc Québécois is as follows: the Bank of Canada's objective for inflation should be a target of between 2 and 4 per cent instead of the current target of between 1 and 3 per cent approved by the government. We must realize this would be a minor adjustment to the present monetary policy and not a complete about face from the policy we have now.

• (1540)

Interest rates create jobs so long as they are not always being raised at the drop of a hat to fight the inflation that usually accompanies a descending rate of unemployment. Furthermore, the lower the range of inflation selected, the greater the likelihood interest rates will rise quickly, thereby increasing the risk that the monetary policy will negate the efforts to create jobs.

Under the current monetary policy, our economy is unable to make optimum use of its resources. Zero inflation in Canada means less than optimum growth for collective wealth.

According to economist Pierre Fortin, a stable inflation rate of 3 per cent over a relatively long period of time would allow the unemployment rate to drop below 7 per cent, leading to the creation of some 460,000 jobs more than there were in October 1996. If the rate of inflation is pushed lower than 3 per cent, many workers are needlessly kept unemployed.

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The Bank of Canada should not release its control over inflation, but, rather, focus on a target that permits a more tolerable interest rate, thus better fulfilling its mandate under the act.

The current monetary policy is not appropriate in the Canadian context. If the economy is overheating in Toronto, it is not necessarily overheating across the country. The Bank of Canada should remember that.

The Bloc Québécois urges the Liberal government to act quickly to stimulate job creation. If the economy gets moving again and if the increase in employment is accompanied by a rate of inflation of more than 2 per cent, the Governor of the Bank of Canada runs the risk of plunging the Canadian economy into a recession once again by keeping the rate of inflation too low.

It is therefore vital to ensure that the monetary policy is in line with the financial job creation policies the federal government is being asked to establish and the Quebec government is currently establishing. Otherwise all efforts in this area will be for naught. This is a matter of consistency among the various macroeconomic tools at the government's disposal.

The central bank openly chose to focus on inflation at the expense of everything else. The monetary policy must reflect the mandate of the central bank and thus no longer focus exclusively on price control.

The central bank has a habit of tightening controls on the monetary situation when Toronto or Vancouver start to experience overheated economies, wreaking havoc with the economies of Montreal or the maritimes, which do not evolve at the same speed.

For example, the unemployment rate in the United States is 5.2 per cent, and inflation has held at around 3 per cent for over 2 years. A number of states, however, have virtually zero unemployment—Iowa, with 3.3 per cent; Wisconsin with 3.1 per cent; Nebraska with 2.4 per cent—and yet the federal American reserve is not resorting to particularly drastic measures.

Although the Bank of Canada likes to think it operates independently of the government, the Minister of Finance has had the power, since 1967, to set general policy on issues such as interest rates. If he so wished, the Minister of Finance could decide that the Bank of Canada should target a higher rate of inflation than what it is currently targeting.

The index used to set monetary policy could overestimate inflation, because it does not take into account new products on the market, improved quality of products, and movement of consumers towards low price centres, which Statistics Canada does not consider when calculating inflation. This means that when inflation is 1 per cent or less, we are perhaps in a period of deflation.

In conclusion, we must not forget that the federal government is cutting back on provincial transfer payments and that cuts to Quebec will total \$636 million in 1996-97 and \$1.2 billion in 1997-98.

The impact of the CHST combined with the recurrent effect of earlier cuts represents a cumulative \$33 billion shortfall that Quebec will have absorbed between 1982 and 2000.

• (1545)

For the year 1996-97 alone, federal transfer payments were \$3.3 billion less than in 1981-82. Since the deficit forecast by the Quebec Minister of Finance is \$3.275 billion, Quebec would have a balanced budget today, were it not for the federal government offloading its deficit since the early 1980s. And yet the Liberals will have the nerve to go to Quebec voters with such a poor record. It is a sorry state of affairs.

[English]

Mr. John Harvard (Parliamentary Secretary to Minister of Public Works and Government Services, Lib.): Mr. Speaker, I appreciate the comments and the contribution of the hon. member to the current debate.

The member raised reasonable questions about what our inflation rate should be. There has been debate in this country and elsewhere, in fact perhaps right around the world about what is the proper level of inflation. He says that the Bank of Canada aims at an inflation rate of somewhere between 1 per cent and 3 per cent. He thinks, and I suppose he is speaking for his party, that the target for the inflation rate should be somewhere between 2 per cent and 4 per cent. I accept that as a strong and legitimate point of view because there is a legitimate debate going on among economists as to what the inflation rate should be.

The main reason I wanted to take to my feet is I cannot overlook the fact that the hon. member represents a separatist party, the Bloc from Quebec. When he talks about low interest rates producing jobs in Canada, I wonder what the inflation rate or interest rates would be in an independent Quebec. Chances are that if Quebec were to declare its sovereignty or its independence, interest rates would go through the roof.

I also noticed in his speech the absence of any comment on the provincial economy. We know that the unemployment rate in the province of Quebec is very high, far above the national rate. The hon. member might want to reflect on that fact.

I think it is a given among economists and all observers that the Quebec economy is in such bad shape because of the separatist government in Quebec City. When there is a separatist government in Quebec City it shakes the confidence of business people. The hon. member and his party should reflect upon these facts and perhaps give serious consideration to a big change in their policies.

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[Translation]

Mr. Bélisle: Mr. Speaker, I want to thank the hon. member for his question and comments. I may say that the main reason why I did not speak at length about the economy of Quebec is that we happen to be in the House of Commons where, as parliamentarians, our priority should be to discuss the public finances of the federal government.

As for their impact on the finances of the Government of Quebec, I referred to this a few moments ago, but as far as Quebec's public finances as such are concerned, I think this is a subject for the Quebec National Assembly.

I would also like to say to the hon. member that when he makes allusions to political uncertainty, what keeps political and economic uncertainty alive, both among the general public and among investors is more likely to be the messages sent by federalist spokespersons like the hon. member than the situation as such.

The public and investors are not afraid of a second or a third referendum on the political future of Quebec.

• (1550)

People are far more afraid of the uncertainty or the messages being spread around by people like the hon. member, who wonders what might happen in a sovereign Quebec and tries to frighten people or scare away international investors. The problem is more the kind of talk we are hearing than the fact that a third referendum is scheduled to be held in Quebec in three or four years time. I think that is the problem.

The hon. member also mentioned the governor of the Bank of Canada and monetary policy. I want to tell him that as far as I know, until Quebec becomes a sovereign state, Canada's monetary policy is still determined by the governor of the Bank of Canada.

The federal Minister of Finance also has an opinion to give, which he does every year and which does, of course, influence the governor of the Bank of Canada. What has been very hard on Quebecers so far, especially on the people of Montreal, is the tendency to keep inflation very low, as soon the economy shows the slightest sign of overheating in Toronto or Vancouver, and what we have seen in the past 15 or 20 years is that Quebec, and especially the Montreal region, is always the first to lose jobs when interest rates are raised. As soon as the economy gets up steam again and the Bank of Canada lets interest rates go down, Ontario and the Toronto region are always the first to benefit.

In the end, the Montreal region is always the first to lose jobs and always the last to recover them when interest rates are brought down again.

Actually, I think the hon. member put us on the right track. Once again we have seen why Quebec must become sovereign. It is

because Quebec is not the master of its own monetary policy. As long as Quebec is a part of Canada, it will always be the governor of the Bank of Canada, supported by the Minister of Finance of Canada, who determines the cost of borrowing. Quebec and especially the Montreal region will always be at a disadvantage.

Mr. Gilbert Fillion (Chicoutimi, BQ): Mr. Speaker, I have listened to my colleague with interest. Naturally, he was not able to paint the full picture of the government's financial situation, or we would have spent the whole night here discussing it, particularly since, financially speaking, the economy of this country has a great deal wrong with it. Many changes must be made.

Moreover, the Bloc Québécois had, via its members on the finance committee, suggested a host of ways to turn the economy around. But that is not what my question is about.

My point concerns unemployment insurance. My colleague has already touched on the question a little. I would, however, like to know his opinion, because, with the present unemployment levels, which are unacceptable regardless of what the Prime Minister and the Minister of Finance have to say, the government has not set itself any objective for job creation, despite its campaign promises. In addition, the government is presently using the unemployment insurance fund surplus, which came out of the workers' pockets, to do away with its deficit.

I would like to hear my colleague's comments on this lack of awareness of unemployment in Canada and of the unemployment insurance surplus.

Mr. Bélisle: Mr. Speaker, as my colleague from Chicoutimi put it, it is most regrettable. The Minister of Finance says that, when the Liberals came to office, a little over three years ago, the federal deficit was \$42 billion and that he lowered it to slightly less than \$40 billion—\$39.7 billion, I think—at the end of the first year of his mandate. The objective for the fiscal year ending March 31, 1996 was \$32.7 billion.

• (1555)

With a supreme effort, the Minister of Finance brought it down to \$28.4 billion. What we must remember is that with the \$5 billion annual surplus in the unemployment insurance fund, the Government of Canada's real deficit is not \$28 billion, but \$33 billion. Last year, it was not \$39 billion, but rather \$43 billion or \$44 billion.

Without the surplus from the unemployment insurance fund, which the minister appropriates to artificially reduce his deficit, the federal deficit has hardly moved since the Liberals took office. I also agree with my colleague from Chicoutimi that our unemployment rate is artificially too high and the money that should go to job creation is artificially and improperly being used to reduce the deficit, which is in fact much higher.

*Government Orders***EXCISE TAX ACT**

BILL C-70 NOTICE OF TIME ALLOCATION MOTION

Hon. Alfonso Gagliano (Minister of Labour and Deputy Leader of the Government in the House of Commons, Lib.): Mr. Speaker, it was not possible to reach an agreement pursuant to Standing Orders 78(1) and 78(2) with respect to the proceedings at second reading of Bill C-70, an act to amend the Excise Tax Act, the Federal-Provincial Fiscal Arrangements Act, the Income Tax Act, the Debt Servicing and Reduction Account Act and related Acts.

Therefore, I give notice that, at the next sitting of the House, pursuant to Standing Order 78(3), a minister of the crown will be moving a time allocation motion for the purpose of allotting a specified number of days or hours for the consideration and disposal of proceedings at that stage.

* * *

[English]

FINANCE

FIFTH REPORT OF STANDING COMMITTEE

The House resumed consideration of the motion.

Mr. Alex Shepherd (Durham, Lib.): Mr. Speaker, it gives me great pleasure to discuss the fifth report of the Standing Committee on Finance. I am sharing my time with the hon. member for York—Simcoe.

I know a lot about the finance committee. I served on the finance committee. I congratulate the committee for its work and its very fine report. I know the long hours which that committee sits and the many witnesses it hears in dealing with this country's economic problems.

The report talks of a broad range of generalities. It talks about our existing trade surplus. This of course is one of the things which has driven our economy to success. Within the trade surplus is the fact that we are continuing with our historical trading patterns. A lot of it is oriented toward automobile trade and the natural resource sector.

One very important aspect the report talks about is the need for more money in research and development. That is something which interests me. It is the underpinning of our economy.

When we talk about jobs and growth, it is appropriate to think not about what is going to happen tomorrow, but rather where we would like the economy to be in the year 2010. If we thought of ourselves in the year 2010 and looked back to today, we would ask ourselves what sort of structures we would put into place to make Canada a competitive economic engine in the world marketplace.

I congratulate the finance committee for noting the very important aspect of research and development. Canada is rated in the OECD countries as about 18th in the world in the area of research and development spending. That is not good enough. Through our budgetary constraints we have cut spending in research and development over the last two or three years by \$91 million. For Canada to catch up to the world we have to put more energy into our research and development budgets. We have to do that effectively and efficiently. We cannot afford to waste our valuable resources as we build a new innovative economy.

• (1600)

The Asian countries are going leaps and bounds ahead of us in a lot of ways in this area. As a matter of fact, I just had the advantage of coming back from Taiwan where I was invited by the local chamber of commerce there to look at its economy. It is an amazing success story; from 1948 with a population of 5 million, the size of Vancouver Island, to today with 21 million and the eighth largest economy in the world. It did it with education, research and technology.

We have a great country here. It is a huge country full of natural resources but I do not think we are using our best natural resources, the resources between our ears. That is why I was very pleased to see that the finance committee noted the importance of increasing our commitment to research and development.

In 1993 we had an infrastructure spending program. That was very important for the economy and the mood of the people which existed back in 1993. The object of that program was to provide hope. I think that has done that. Most people in this country realize this is a different world and a different economy than we had in 1993.

That infrastructure spending program focused a lot on municipal infrastructure, roads, sewers, and so on. Everybody realized with the differences in our economic well-being that we are not going to be able to put as much money in the infrastructure spending program as possibly we once did. Having said that there is the other important aspect and that is to refocus that program.

I mentioned the infrastructure of the grey matter between our ears. I noted one of the very important points in that report was increasing funding for infrastructure through science and technology. I believe that is really where the growth in employment in this country is going to be.

Statistics Canada has told us over and over again that those companies which use science and technology in their operations expand quicker and have a higher payroll, that wages are higher in those industries.

We very much live in a time of a changing economy where the old economy is getting smaller and the newer economy, which is the knowledge based economy, is growing. We have to make sure

that we spend our resources on the right side of that equation. I believe the right side of that equation is in science and technology.

Speaking of technology, how do we physically do this? We have already established the NSERC program and also the national centres of excellence. These centres link all our university research programs together so that we do not have duplication going on in two or three institutions at the same time. They communicate with one another and they focus on how to develop new technologies.

It is through this type of system that I believe we should be underpinning our new infrastructure spending program. In my riding I have one of those schools of excellence at Durham College. I know it is looking forward to finding ways to enter and excel in the area of science and technology but it needs the resources to do that. This is where governments come in.

Some people will ask why governments are involved in research and technology and should not private industry do that. In every OECD country their governments are heavily proactive in the area of financing science and technology. Why is that? Industry invariably has short term goals, profit maximization. Indeed a lot of the people I have talked to talk about how much their profits or losses are going to be in the next three months. They do not even talk about next year anymore. Their focus is very much short term.

• (1605)

This is where governments can bring in that long term planning and thought horizon which will deliver us and our country into the year 2010 with a robust and engineered society. We are underpinning the importance of science and technology.

In our high schools and post-secondary institutions we have to spend more time focusing on where we are going as a country economically. I have been surprised by the number of secondary schools I have gone to. When I talk to the students they are unaware of how our economy is changing. I think it is important for government to show leadership in this area, to tell our youth this is how the economy is changing and that they very much have to be part of that.

It is very important that we do not just have a hollow comment about the importance of this new economy but that we participate in the funding of that science and technology to increase the knowledge base that exists in this country.

Canada has a tremendous background of success in science and technology, in telecommunications sectors, bio-medical research and agriculture research and engineering. These are all areas where Canada has excelled in the past. We have a nucleus for that which exists in our country and we have that within our university environments.

One thing that is important that I believe any new spending program on research and development should underpin is a filtra-

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tion system. By that I mean every project that a centre of excellence or NSERC looks at should have a filtering system where they actually filter out whether a concept is a marketable concept. It talks about the commercialization of basic research.

These are the things this budget summation is all about. It is looking toward the future, not the past, putting useful and meaningful employment in the hands of our young people, looking to the year 2010 where Canada can be the leader in the world in science and technology.

[*Translation*]

Mr. Gilbert Fillion (Chicoutimi, BQ): Mr. Speaker, at the beginning of his remarks, my hon. colleague congratulated the members of the Standing Committee on Finance on their work on a report he described as excellent. He failed to mention however that this was a majority report that ignored to a large extent the official opposition members' input.

I would like to draw his attention to the title of this report, which is "Finish the Job". Does finishing the job, as he said, mean less money for research and development, an area he seems to like and in which Canada has taken a tumble in terms of its ranking among OECD nations? Canada now ranks 18th, while it used to do much better than that.

Does finishing the job mean bleeding the Canadian public service? Does it also mean bleeding Canada Post? Does the report's title mean bleeding and taking advantage of the unemployed across Canada?

I would like my hon. colleague to tell us what he would be prepared to do to help the unemployed find a way out and live with a degree of dignity instead of being forced onto welfare in a few weeks. Will the government just keep shovelling its deficit into the provinces' backyards, as it has since taking office?

[*English*]

Mr. Shepherd: Mr. Speaker, I thank the hon. member for his comment. The reality is unemployment is with us and it is at exceptionally high levels.

• (1610)

Let me clarify one thing. As more people find work in this country we have a labour participation rate. Over 600,000 people in the last three years have found work and more people are stepping up to the pedestal saying they want to get into the labour market as well. This is partially why the rate is at 10 per cent.

The member possibly did not understand all of what I said. I said that through research and technology and our educational institutions we have to give the people of Canada new skills. A lot of that 10 per cent figure has to do with what I would call structural unemployment.

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The bottom line is the economy has not changed. It is unfortunate but true. It is no different than if we had lived at the time of the industrial revolution when we changed from the horse to the iron horse, the railway. It is the same kind of technology which exists today. We can improve that but there is no quick fix. There is no quick fix for the unemployment rate. The real long term fix will be to underpin the brain power of this nation. I am suggesting that is what the report addresses and beyond.

Perhaps the member did not see the first part of the title. The first part is: "1997: The Budget and Beyond". It is the beyond that is important. It is the beyond that builds on the technological excellence we have always had in this country and tries to include all those people who for various reasons are unable to find work, long term work or skilled work. We are developing a society of skilled and unskilled workers. We have to lower our pool of unskilled workers and increase our pool of skilled workers. This is what the report has recognized as the pathway to the future.

The Acting Speaker (Mr. Milliken): Order. It is my duty, pursuant to Standing Order 38, to inform the House that the question to be raised tonight at the time of adjournment is as follows: the hon. member for Frontenac, chemical product industry.

Mrs. Karen Kraft Sloan (Parliamentary Secretary to Minister of the Environment, Lib.): Mr. Speaker, last year I rose in the House to speak in a similar debate. At that time I raised concerns regarding the social deficit in this country, in particular the issue of child poverty, and urged the finance minister to do something for Canadian children in need.

I am a member of the Liberal Party child poverty committee. Last year this group of Liberal members spoke to the finance minister a number of times and also had an opportunity to meet with the Prime Minister and other members of cabinet. We asked for an increase in the working income supplement.

As a group of House of Commons backbenchers and one Liberal Senator, the child poverty group worked very hard and in the end our efforts were rewarded. The cabinet, the Prime Minister and the Minister of Finance listened and the Canadian children benefited.

In the 1996 budget the working income supplement was doubled for low income families. This change will increase assistance by \$250 million a year to 700,000 Canadian families.

These are not easy times in which to govern. We must recognize the challenges facing the Minister of Finance and applaud his efforts to stabilize the Canadian economy. He has taken strong measures to correct the previous government's mismanagement of

the public finances. As a result the confidence of the people in the national government has increased. We have exceeded our deficit reduction targets, interest rates are lower than they have been for 40 years and almost 700,000 new jobs have been created.

We are getting the economic fundamentals right to create an environment of opportunity for job creation. Tough decisions have been made to get our economic deficit under control and Canadians can take comfort in the fact that we are making prudent judgments in a balanced and compassionate way.

In light of calls by the Tories and the Reform Party advocating income tax cuts, it is imperative that we continue to stay the fiscal course. In fact, I conducted a recent poll in my riding and results to date show overwhelmingly that over three-quarters of the respondents do not favour the policies of the Tories and the Reform Party on income tax cuts. Until the debt and deficit are under control, income tax cuts are fiscally irresponsible and detrimental to the public good. One has to look no further than the extreme disparities between rich and poor that have resulted in Ontario from the tax cut imposed by the Progressive Conservatives under Premier Harris.

• (1615)

The finance minister has spoken about the plight of poor children many times in this Chamber. I know he will continue to establish initiatives that seek to better the lives of all children in Canada. We must continue to reduce the social deficit in this country.

Today I would like to address the third deficit we face, the ecological deficit. Increased awareness of the causes of environmental degradation and the impact on human health ensure a high national concern for environmental issues.

As human beings, we often forget that we are part of nature, that we are in nature and that nature is in us. We are, in some ways, disconnected to the natural world. In the words of Edward Wilson, biological wealth is the basis of our material and cultural wealth. Too many forget this inextricable link and place short term economic gain ahead of long term ecological disaster.

Thomas Berry, an ecotheologian says in his book *The Dream of Earth*, that the earth community is a wilderness community that will not be bargained with, nor will it simply be studied, or examined or made an object of any kind, nor will it be domesticated or trivialized, except when other living species are violated so extensively the human itself is imperilled.

He goes on to say that if the earth does grow inhospitable toward human presence, it is primarily because we have lost our sense of courtesy toward the earth and its inhabitants, our sense of gratitude,

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our willingness to recognize the sacred character of habitat, our capacity for the numinous quality of the earthly reality.

We must remember to be grateful for the biological material that we use. We must remember to be courteous to the earth community as we use its products. We must be ever mindful of the effect of the disposal of waste materials back into the earth.

Paul Hawken, author of *The Ecology of Commerce*, states that we currently use 40 per cent of the world's biological production. In 40 years the earth's population will double. If there is no increase the rate of consumption, we will use 80 per cent of what is produced. Major ecosystem failure happens at 60 to 70 per cent.

We pump toxins into the water, the air, the soil. Some substances act as endocrine disrupters and affect the endocrine system, especially on developing human and non-human fetuses. Scientists have yet to determine a tolerable minimum threshold. It appears that the timing of exposure has more significance than the dose. As a result, endocrine disruptions play havoc with the reproductive and neurological systems of the developing fetus.

Some forms of endocrine disruptions, like PCB molecules, are persistent and can travel with the wind currents to pristine, isolated Arctic areas where they biomagnify as they make their way up the food chain. Once absorbed in the flesh of higher order animals and mammals, they bioaccumulate. PCB ratings in the milk of Inuit mothers is significantly higher than mothers who live in the south.

I am pleased to say that we have met, and in some cases exceeded, our ozone depletion goals. However, we must work harder to achieve our climate change commitments.

Environmental problems are complex and multifaceted. They require the support of many inside and outside of government. It is not only the Minister of the Environment that should champion the environment. The Minister of Finance can also support the cause of a healthier environment. This starts by greening the budget.

I would like to congratulate the Minister of Finance on the steps he took in the last budget to begin this process. Changes were made to the Income Tax Act that allow for tax incentives for donations of ecologically sensitive land. This is an excellent model for encouraging conservation. As well, the Minister of Finance and the Minister of Natural Resources are looking at removing fiscal barriers to energy efficiency investments.

These are examples of a good start. I commend the Minister of Finance on these initiatives. We must work hard to continue to find ways to reduce our ecological deficit. Above all, we must remember to show courtesy and gratitude for the biological wealth that the earth community provides us, for this biological wealth is the basis of all our other wealth.

• (1620)

Mr. Jim Silye (Calgary Centre, Ref.): Mr. Speaker, I have a comment on the speech given by the hon. member. She said that she conducted a survey in her riding or had access to a survey that talked about the impact of immediate tax cuts at this time. She indicated that was part of the Reform and Conservative platforms.

In case she is interested, our platform does not state that. If I were to answer that survey I would probably be part of the majority that says "immediate tax cuts at this time are not the proper thing to do". First, we have to create a surplus in the budget. At minimum we must balance the budget before across the board tax cuts. That is what we are recommending.

The only selective tax cut in our fresh start platform is that which pertains to the UIC fund. It has a huge surplus and the minister has room at this point in time—this is after all the prebudget consultation period—to listen to those who suggest that it is a payroll tax that could be reduced because of the surplus.

I want to make sure the member understands our platform. Members opposite continually say that we are in favour of immediate tax cuts. This is the second time today we have been misquoted. A member even said that in a statement today. That view is not accurate. I have already explained our policy on that issue. I hope the member will remember that in her future references to the Reform platform on tax cuts.

Mrs. Kraft Sloan: Mr. Speaker, I am absolutely delighted that the member from the third party has seen the light and understands the fiscal reality within which the country operates. I totally agree that it is terribly irresponsible for anyone to take on measures of tax reduction in the light of budgetary constraints and who this would really benefit.

If this is the Reform Party platform, the so-called fresh start—re-start perhaps—then the member opposite should inform some of his colleagues. When I hear members of his caucus ask questions of the Minister of Finance during question period, it seems quite obvious that they are demanding these irresponsible tax cuts right now. It would be really helpful if the member opposite could help inform his colleagues of what their platform is.

Mr. Silye: Mr. Speaker, with reference to the questions we ask the finance minister in question period with respect to helping low income families and addressing the issue of child poverty, there is a difference of opinion here. Yes, the child supplement can be increased, as the member pointed out in her speech. That has been recommended and it will help families to the tune of another \$250 million. That is nice and that is good. But that is not enough and it does not go far enough.

The Reform platform would offer more. But it is not tomorrow, not now. It would have to come when the budget is balanced and we all have to work toward that. The government could do a lot more

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by making a lot of cuts, which I will talk about in my speech. The government could offer the relief, which can be offered at that time, to over 1.9 million lower income families across the board. That will truly help lower income people. That will truly help to eliminate child poverty because it will be leaving the money in the hands of those people who need it the most, those who make the least. We are still taxing people who make \$12,000 a year to the tune of \$1,200.

If we can target it to those families who are in need and increase it, that will help. But it does not help across the board. That is the direction we are trying to go in with that issue. That may give the impression that we are saying immediate tax cuts now. What we are saying is let us look at the fiscal policy of the government, rethink it and apply it to help the greatest majority of lower income people.

Mrs. Kraft Sloan: Mr. Speaker, once again I find myself in a position of agreement with the member opposite when he says that we have a difference of opinion. We certainly do have a difference of opinion, especially when it comes to dealing with the issue of child poverty.

On one hand, the member talks about funding to one segment of the population, but on the other hand his party would cut all transfers to the provinces for social assistance programs. If that does not hurt poor children, I am not sure what does.

• (1625)

His party also advocates the cutting of all equalization payments and things like that to areas that are in tremendous need. I am really glad that we have a difference of opinion on this. As a regional, western based party, the Reform Party does not understand the need for balance and compassion and putting into perspective all parts of the country, different classes of society and making sure that everyone has a fair opportunity. That is why this Liberal government is firmly committed to creating opportunity for all people in this country, not certain regions and not certain groups.

Mr. Jim Silye (Calgary Centre, Ref.): Mr. Speaker, I will be using my full allotted time.

The debate is about the report of the government on the prebudget consultation process. I am glad to have this opportunity to make a contribution to it and to maybe make some suggestions for the finance minister's next budget. I did not sit very much this past year on the Standing Committee of Finance, but I did in the previous two years so I do understand the process and I will make some comments about that.

This is really about spending, revenues and handling the affairs of this great corporation we call Canada. The Government of Canada is empowered to do that. Annual statements come out, as do projections from the finance minister. Let us just see where we

are going. Based on the information given to us by the government, let us see if we are in fact asking the right questions, setting the right agenda in these prebudget consultations and asking for input to solve the right problem.

I maintain, and I have argued this before, we are trying to solve the wrong problem. The problem we are trying to solve is just a subset of the major problem. The subset that the government is trying to resolve and in fact was elected on is setting its spending deficit at 3 per cent of GDP. That really means telling the people of Canada that this government will only spend 3 per cent more of the gross domestic product than what it brings in.

The people of Canada said: "Boy, compared to the previous government that is a hell of an idea and we are going to let you guys go do it". The Liberals also told us they were going to create jobs, jobs, jobs with this \$6 billion infrastructure program. Those were the two big promises they made.

There is no question that the government has made progress on its deficit target. It came in here at the year ending 1994 with a deficit of 5.9 per cent of the GDP. To the year ending 1996, the deficit is at about \$28 billion which comes to a little over 3 per cent of GDP. Next year it is projected to be even better and the year after, although it is in fantasy land, the government estimates that it will be right down to almost 0 per cent.

I agree that the government has done well on deficit reduction. However, the bar is so low and the target so soft it is easy to do. Anybody could do it. Anybody who was finance minister could have done what this minister did. How did he do it? When he cut program spending over the two-year period from year ending 1994 to year ending 1996, projected out even to year ending 1997, the cuts he made go from \$120 billion down to \$109 billion. That is \$11 billion in spending cuts. It sounds great. However, \$7.5 billion of that was downloaded on the provinces for health care, education and welfare. That is why I have suggested anybody could do it.

We have had members of the government giving speeches about how wonderful it is to be helping the infrastructure of the mind through the science and technology development fund and how it has already spent \$9.5 billion on families with children, but because it is giving another \$250 million how great and wonderful it is.

The government should take a look at itself and not be so proud of having made cuts on the backs of provinces. The excuse today given in question period, "If you are mad at us for downloading, look at what those rotten, dirty guys in the provincial governments are doing. They are downloading on the municipalities even more than we are. If we are bad they are worse". Both of them are trying to justify something that is dumb.

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• (1630)

Eliminate useless and wasteful spending and stop catering to the special interest groups. Every group that comes to the consultation process says: "Do not touch us. Our group is very important. Look at all those other people. Cut them. Find it there". If that was done, how would we ever cut? How would we ever balance a budget?

Start saying no to wasteful spending. The government does not have the guts to do it. It takes the easy way out. It cuts money to the provinces and says to the provinces: "You do it". That is what the finance minister has done. I do not compliment him for that, I criticize him for it.

The deficit is fine. It is coming down. What has the government done in terms of spending over the last three years? In the year ending 1994 the government spent \$158 billion. The next year the government increased overall spending to \$160.7 billion. Last year, the year ending 1996, it spent \$158.9 billion. That is relatively flat in spending, yet the government is bragging about tough times and cutbacks. Why is that?

The government is adding to the big problem. It is increasing the debt. The interest cost to service the debt is increasing. Despite lower interest rates, it is still a huge megadollar expenditure for the government. What does it do about it? It keeps adding to the problem, although not as fast as the previous government. It brags about it, but it is not solving the problem. Canada is bleeding to death. Canada had a huge wound under the Conservatives but it still has a huge cut and it is still bleeding severely under the Liberal government.

The finance minister bragged a couple of months ago that he had broken the back of the deficit at \$22 billion or \$24 billion. That is a joke. Only a Liberal could stand and say that he has broken the back of the deficit by spending \$24 billion more than the government brings in. That is not breaking its back, it is adding to the problem. It is adding to the suffering. It is adding to the hurt. That is what these financial statements show.

What should the government be doing in the consultation process? It should be asking the experts of the country, the many witnesses: What really is our problem? What will really help our economy? If we lower our deficit and spend a little bit less, if we still spend more than we bring in but not as much as the previous government, will that help? Or should we just tackle the debt?

The percentage of debt to gross domestic product is the true measurement. That is the challenge. That is the bar which the government should set. That is how it should be measured. Anybody who is in government, provincially or federally, should measure it that way. We all know in business that debt and equity

are correlated items. The banks look at the debt to equity ratio. It is on that basis the banks lend money.

If the finance minister had the intestinal fortitude and truly understood economics, he would look at the debt as a percentage of GDP. What has happened in that category? What does that show us?

When we came in here the net debt was \$514 billion. That was the net interest bearing debt. That has now increased to \$586 billion, a \$72 billion increase. The debt has gone up by \$72 billion. Imagine the interest costs on that alone. The deficit has only been reduced by \$13.4 billion. Half of that has come from cuts to the provinces, which have gone from \$42 billion to \$28 billion.

Thanks in large part to low interest rates, higher tax revenues and a \$5 billion surplus in the UI fund, we have ended up with these financial statements. There has been an increase of \$25 billion in revenue. I would say that \$15 billion to \$17 billion of that is economic growth. Not all of it is growth. About \$10 billion is attributable to tax increases.

When the finance minister says, as he did today in answer to a question from a Bloc member: "We have not increased personal income taxes since we have been here", that is not true. I know I cannot use the word that starts with "I" and I will not. I will not say that he is the "I" word, but I will say that he is definitely misrepresenting the situation.

• (1635)

There are two ways to increase income taxes. One is by raising the rate and the other is by reducing, eliminating or tinkering with the available exemptions and deductions. For instance, there is the labour sponsored venture capital funds which he has reduced. All those people who participated, their taxes just went up, thank you very much. He did a lot with the seniors benefit and seniors pensions. He has tinkered around and he has raised personal income taxes. Personal income tax revenue has gone up by over \$6 billion and not all of it is just due to a growth in the economy. This points out as far as I can surmise by my analysis of these statements that the revenue of the government has increased, the spending of this government has stayed level at \$158 billion to \$161 billion and its spending cuts basically match its increases.

I submit to the hon. members opposite, please question me on this when I am done. Are we really solving the problem or are we just attacking a subset of the problem? It is a disease but if it grows then one will end up getting really sick and then will die. The real problem is the debt. The deficit is a subset of that. Yes, we have to eliminate the deficit but the Reform Party would do it sooner. We would get there quicker and we would offer some tax relief to the Canadian public a lot sooner than what these financial statements show.

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As further proof and as my last comment on this topic, it is important for Canadians to understand that the debt as a percentage of GDP has gone up since we have been here. It has gone from 71 per cent to 74.2 per cent. It is going in the wrong direction. Our problem is increasing.

The Liberals, as wonderful as they think they are, as high as they are in the polls and who love to rub it in our faces, are not solving the problem. In the long run they are going to pay for it because they have had a window of opportunity to do something. We have been here advising them on how to do it. Even in the book *Double Vision* we are given credit and the finance minister gives us credit behind closed doors for encouraging and pushing because we are in tune with Canadians and we know what they want.

Just as with Canadian Airlines, the Reform Party knew that the tax fuels were too high. Our critic recommended a reduction. We knew that the flight attendants and the ticket agents wanted to vote in support of a pay cut, even though those who were making only \$20,000 to \$30,000 should not take a pay cut, but they were willing to because they loved their jobs. We said to let it go to a direct vote and they said no but we forced them to. Now who gets the credit? They do.

Whoever this Angus Reid is, and whatever poll is saying that the Liberals are in touch with the people, crap. They are in touch with us. They listen to us and they take our suggestions and then they take the credit, but that is okay. As long as it is good for all Canadians, I am very, very happy.

I do not like the budget consultation process if there is not a consensus and they only listen to those they want to listen to. I accuse the chairman and his committee of selective hearing. In his speech this morning the chairman mentioned that he had heard evidence that in the United States the income taxes are 30 per cent lower than here and the unemployment rate is 5 per cent. Our taxes are 30 per cent higher and our unemployment rate is 10 per cent. Does that not tell us something? Lower taxes mean more jobs. Lower taxes mean lower unemployment. It should be obvious.

Then what did the chairman of the finance committee do? He went to great lengths and I think he spent more time than he wanted to in saying that in Canada our payroll taxes are lower than in the United States and it is proof that lower taxes do not necessarily work. I do not see the connection. It does not make any sense to me at all.

It is sad for me to see the government members and especially the frontbenchers take credit for the low interest rates and low inflation rate in Canada. How sad to try to take credit for something that the Liberals criticized when they were on this side of the House. I am not saying that they criticized lower interest rates, but they criticized the monetary policy of John Crow. I can find in

Hansard what the Minister of Finance said. He said it was totally wrong. He said it was totally inappropriate. Now the Liberals are reaping the benefits of it and are trying to take credit for it by saying that the government is responsible for the low interest rates. Bull. Bull. It is sad to see someone try to take credit for somebody else's hard work and effort, especially when one is hypocritical and contradicts oneself.

• (1640)

It is also sad when we look at the big problem, which is the debt and the high interest costs to service that debt. There are all the areas where there is still a huge waste in government spending, the billions for business program is what I call it. The government will not do anything about that. There are regional development programs where it could save some money. There is the size and waste in the public service and what they could do to solve that. It is a shame that even on criminal justice, young offenders, and all those areas the government still continues to use nickel and dime solutions to thousand dollar problems. That is the sad part.

Eventually the economy is going to turn around. My learned friend from Capilano—Howe Sound knows and he pointed out that the economy is a cycle. We all know that. What goes around comes around. It goes up and down. We are going to hit a period of high inflation again. We are going to hit a period of high interest rates again. Sure as all of us are in this room, before we pass away we will see double digit interest rates again. Even though the rates are down at 4 and 5 per cent, they are going to come back. Now we have the opportunity to do something about it.

The Canadian public is ready for cuts, ready to go through the pain, but it has to be done quickly. We have to do the surgery and then let the patient recover. By continually operating and tinkering with all different parts of the body the poor patient feels like he will never get better. He feels like Frankenstein. Quite frankly, that is how I would analyse this financial policy of the government, Frankenstein.

Even the Organization for Economic Cooperation and Development countries in their annual report did a study of Canada. They blamed the high unemployment rate. Nobody over there can figure out why we still have double digit unemployment with this wonderful package they have offered the Canadian public over three years. The reason is high tax rates.

We have the highest tax rates going. On tax rates as a percentage of GDP, if we look at where Canada is on a chart, all taxes, corporate and individual, are about 35 per cent as a percentage of GDP. Compare that to those countries at 24 per cent or 30 per cent and we will see the unemployment rate. We will see the correlation. That is what this government will not listen to or look at.

There are also our generous unemployment and welfare benefits. How can we have a welfare program which pays somebody just as

much to stay at home, able bodied people who can work, as somebody would get by working for minimum wage? It does not make sense. Instead of doing something about that, the government ignores it.

On unionization, I believe in unions. I believe that employees of any corporation or any company should have the right to unionize and get together and collectively negotiate against an employer, public or private. At the same time both public and private employer should have the opportunity to replace those workers. But no, the government is going to put Bill C-66 through here. It is going to screw up, meddle and make it a mess so that nobody knows what a replacement worker is and whether or not they qualify. It is going to be a joke and this red tape is costing this country billions of dollars.

Across the board tax cuts are what is needed once we have a balanced budget. That will kick start the economy, not the selective cuts like five cents off per hundred dollars in UI as the finance minister is doing now.

The objective of this country's fiscal policy should be a virtuous cycle of lower debt servicing cost. Imagine what this country would be like if every year instead of our interest costs going from \$40 billion when we first came here when we were paying \$38 billion to where we are now paying in excess of \$48 billion to \$50 billion and it is going to go up even more, that they would be going down. The interest costs would be going down, not just the deficit but the interest costs. That would be solving the problem. Then I would say the finance minister deserves all these credits those backbenchers are giving him.

We need to generate a surplus. Then we can offer tax relief and then we can pay down some of the debt as well. That is how we develop, and this phrase was coined by my colleague from Capilano—Howe Sound, a virtuous cycle of lower debt service costs. That should be the objective of the finance committee. That is what I would empower it to do. Find us a way to get interest costs to go down. Give us the suggestions on how to do that and then we would be solving the problem and not tinkering around with nickel and dime solutions for thousand dollar problems.

Get the fundamentals right. The finance minister brags about how he gets the fundamentals right. He does not have them right. He will not give us a target for a balanced budget, just that we will get there someday. He does not attack the debt. He is just on the deficit. He will not reduce UI like everybody else said in the Standing Committee on Finance. I was there for a couple of meetings this year and it was the same old story: reduce the UIC. It is a killer of jobs. Reduce it not by 5 cents, reduce it by 60 cents, 20 or 30 per cent. The Reform Party is suggesting that and we are in tune with the Canadian public, but the government will not listen. Make it a true insurance policy.

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• (1645)

CPP is going to have to go up. People are worried about that. So CPP will be raised, but UIC will not be lowered. There is a \$5 billion surplus in the fund and it is just being used to pay the deficit. That is not right. If CPP is going to be increased at all, it has to be offset with a decrease in the UIC so that psychologically employees and employers know that overall it is not going up, it is just being adjusted to account for the needs and the demands of the Canadian public.

That is what we have to do. That is how we will create jobs in this country if we get the fundamentals right. Those are some of the fundamentals and some solutions I see the country needs.

Is my time up, Mr. Speaker? Will you give me five more minutes?

The Acting Speaker (Mr. Milliken): It is not for the Speaker to give the hon. member five more minutes; it is a matter for the House. If the House wishes to give the hon. member five more minutes, the Speaker as the servant of the House will give it.

Is there consent?

Some hon. members: Agreed.

Mr. Silye: Mr. Speaker, I have a couple of things to add to the issue. I would like to finish with the CPP. It is a very big issue. Currently there is \$40 billion in the fund which generates \$4 billion through interest on loans to provincial governments at low prevailing interest rates.

We have to fix this. The way to fix it, unlike what the government is doing by trying to treat everything separately, is to look at the economy as a whole. This is a payroll tax just as UIC is a payroll tax and so is workers compensation. When there are high payroll taxes, it is a job killer. The government should try to look at the collective package.

One thing that could be done with CPP and has even been recommended is to start working with the fund toward a greater growth investment fund rather than just a yield of low interest rates. Try to get it into a growth fund where possibly we might luck out in a couple of years and have anywhere from 15 to 30 per cent growth in it. That is what the Reform Party is recommending with its super RRSPs. It would be something which would be run by an independent fund manager to let the money grow so that we would all be guaranteed our pension benefits down the road.

We all know who creates jobs. The government's job is to create the economic environment, the right environment for the private and public sectors to create jobs. There is room for job creation in both the public and the private sector, but the public sector thinks,

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feels and acts as if it is the only engine to fuel the economy. Once we balance the budget and offer across the board tax relief, not selective cuts, the government and the country will benefit from the growth in the economy. A lower overhead and lower spending will result in lower taxes which will increase disposable incomes and thus through greater demand the private sector, along with some public sector services, will create the increase in jobs that is required.

On unemployment and employment, under the section in the report that the chairman of the Finance Committee put forward, the words were carefully chosen. However carefully they were chosen, they could not hide a dismal record of achievement. The growth in unemployment barely kept pace with the increase in population, natural and through immigration. That is a sad situation. The government pins much hope on job creation by lower interest rates. That is going to create a whole bunch of jobs. We hope these expectations will be met for the sake of the large number of Canadians who are seeking work and who are ready to enter the labour force. We will need a long and prolonged period of low interest rates and a willingness for people to borrow and spend more.

There is a lack of consumer confidence for big ticket items and that is what is keeping the domestic market restrained. There would be increased confidence if income growth lowered the relative size of the debt they carry.

• (1650)

This fact makes income raising tax cuts even more important in the restoration of genuine prosperity.

In this prebudget fiscal plan and this report we see nothing encouraging in this account for the Canadian public. What we see is the government not even at a balanced budget, saying how it is going to spend anything it gets once it approaches.

Heaven forbid, if the finance minister ever gets up and tries to say this one more time and to hoist this on the Canadian public, that once the deficit in this country reaches single digits, \$8 billion or \$9 billion, then we have virtually a balanced budget and a zero deficit.

He has said this and that is not true. Just because the OECD countries have a different formula and by their standards—crap. If there is a \$9 billion deficit and if that deficit is not borrowed abroad but is borrowed domestically from the public service pension fund, it is still a liability. It has to be paid back. Those funds have to be replaced even though they are borrowed from oneself. Therefore, let not the minister say ever, until he is at zero, that he has a balanced budget.

We need to work toward the debt, to use the debt as a percentage of gross domestic product as our solution. Lower taxes like in the

States are the solution. That is how we will create jobs in this country. I appreciate the extra time.

Mr. Alex Shepherd (Durham, Lib.): Mr. Speaker, as always, I listened intently to the member for Calgary Centre. He started his speech, which really set the tone of everything he said, with saying that Canada is a corporation.

Everybody knows that Canada is not a corporation. The Government of Canada is not run like a corporation. The bottom line is that the Government of Canada is about dealing with people's problems.

He went on to talk about the so-called downloading. He used the word downloading when talking about reducing transfer payments to the provinces. As has been said in this House time and time again, we reduced those transfers far less than we reduce our own spending.

The member is inconsistent. He talks about improving the efficiencies of government. Why would we not also want the provinces to become more efficient? Should we keep the provincial government transfer payments intact while reducing our own spending? This does not make sense. Everybody knows in this country that we have to add the federal government debt plus the provincial government debt to get a total quantum of public sector debt in this country.

It is only reasonable that we reduce provincial government transfer payments. The thing is technology has taken over our society to such a great degree. What we are asking governments to do is the thing that the business sector did maybe 10 years ago. It embraced the concept of newer technology to reduce the cost of government. That is what we are asking the provinces to do and that is what we are asking the federal government to do.

I am surprised that the member from the Reform Party, who spent such a great deal of time talking about the importance of balancing budgets, has not taken that into realization. We want the province of Ontario, the province of Quebec and indeed the province of Alberta to each take part in the process of reducing government spending and making government more affordable to people.

He went on and on about the ratio of debt to GDP. I dispute some of his figures. As I understand, for the 1996-97 fiscal year he is right, it is around 75 per cent of the total debt to GDP ratio. But that is projected for the next fiscal year to go down to 74 per cent.

In spite of his great long dissertation about the importance of using debt to GDP ratio, the bottom line is that we have turned the corner on that very important figure. I agree with him, we should be focusing on how to reduce government debt.

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It seems most of his discussion surrounds why we cannot do it tomorrow. We are in a big hurry. The bottom line is the ship of state takes a long time to move. I have come to that realization.

This government has done the very important things to move that ship of state, whatever it is, 10 or 15 degrees from the course it was on.

Within the first two or three years it does not look like it is much different. As the program continues to impact on government spending and debt reduction, that becomes greater and greater. That is the course that we are on.

• (1655)

That is what everybody in this country says to us, stay the course, keep on that 15 degrees. They do not tell us to go 30 degrees or 40 degrees one way or 70 degrees back the other way. They tell us to stay the course. It is the Reform Party that wants to get off course. This all has to do with timing and how we put our plan into place.

The bottom line is the reduction in interest rates is related to fiscal responsibility. The international and domestic financial communities have looked at what governments are doing and said yes. What is an interest rate but a risk factor: "I am going to loan you x dollars and you are going to pay me back 10 years from now. I think you will inflate the economy. You will print money by increasing the deficit. Therefore I want a higher risk factor".

In reality that interest rate component has been continually reduced in Canada over the past three years. This tells us that not only the domestic financial community but also the international financial community believe that Canada has its debt and deficit situation under control. Take credit for it? Why would we not? We have lived under an administration that did just the reverse. It drove interest rates through the ceiling. It is very much a check mark, an A+ average by the international financial community.

I heard this member talk about across the board tax cuts. The same member stood in this House about a year ago and talked about the flat tax. Remember the flat tax? We were going to take money from the middle class and give it to the wealthy. Now he has a different formula. I guess by reform he means reforming his own party.

In the final analysis most federal government spending is to people. The member has not been honest. The member has not said what people spending he is going to cut to get off that course another 10 degrees or 15 degrees. He did not talk about how much he is going to cut the old age pension, et cetera.

Mr. Silye: Mr. Speaker, I have not abandoned the dream of a simplified tax system that would feature a single or a dual rate. It

would generate more money than what this current government with its complicated, convoluted, complex tax system has in place and which is too stubborn to try to change. I have not abandoned that but each speech has its time and we have to stick to the topic at hand.

He does not agree with my statistics about year ending in 1996 or 1997, that the debt as a percentage of GDP will be 74 per cent or 75 per cent but that it is going down in 1998 to 74 per cent. Shame. That is unacceptable. When this government came in it was 71 per cent and it is going to brag about reducing it to 74 per cent? That is the hypocrisy and the master of myth at work at its best. We need a debt to GDP ratio of under 50 per cent, and the member knows it.

There is this business about how they have made way more cuts outside of the transfers to provinces. The figures say to me that for the year ending 1998, governments do not figure. The total cuts will be \$18 billion and \$7.5 of that will be on the backs of the provinces for health care, education and welfare. Shame on the Liberal government that would do that when a Reform government in those three categories would have cut only \$3.5 billion.

The member asked why the government should not take credit for the decline in interest rates. Because his government is not responsible for the low interest rates in this country. It is not sound fiscal management for the government to spend \$20 billion more than it brings in. The first year that we had \$15 billion more than we brought in, everybody was all upset. So to brag about a \$20 billion deficit is not good enough.

The interest rates are low because of the monetary policy of the Bank of Canada under John Crow which has been continued under the current governor of the Bank of Canada to keep inflation low. It is low inflation that allows for the lowering of interest rates. Inflation is low when the demand for supplies and services goes down. Then the banks have to do something. To encourage people to incur debt and borrow more money banks have to lower their interest rates because of what is happening in the economy. It is kind of a diabolical situation. Banks lower interest rates when things are not moving.

• (1700)

Lower interest rates lead to increased work in housing and housing related products and services. Big ticket items should start to move now based on lower interest rates. I agree with the hon. member on that point, but to take credit for it, no. I still say the government is taking credit for something it does not deserve to take credit for. Low interest rates are not a function of the government's sound fiscal policy. It is not sound to be adding to the problem to the tune of \$20 billion plus per year.

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At another point in time I will elaborate on the simplified tax system featuring a dual rate, which is in the best interest of Canada and will lead to the number of jobs the government has failed to deliver.

Mr. John Bryden (Hamilton—Wentworth, Lib.): Mr. Speaker, I will be sharing my time with the member for Vancouver East.

[*Translation*]

Mr. Fillion: Mr. Speaker, I rise on a point of order. Are we still rotating speakers, or are we now at questions and comments?

The Acting Speaker (Mr. Milliken): Debate has resumed and we are again rotating. There was only one question during the period for questions and comments, because it was a rather long question. We have already used up the 10 minutes allocated to questions and comments.

Mr. Fillion: Mr. Speaker, is it not the Bloc Quebecois' turn in the rotation? The Liberal Party had its turn, and so did the Reform Party. I think it is now the Bloc Quebecois' turn.

The Acting Speaker (Mr. Milliken): I must inform the hon. member that the rotation was the following: the hon. member for La Prairie had 20 minutes; two members from the Liberal Party, namely the hon. member for York—Simcoe and the hon. member for Durham, had 10 minutes each; finally, the hon. member for Calgary Centre had 20 minutes. After that, it is once again the Liberals' turn, and that is why I recognized the hon. member for Hamilton-Wentworth.

[*English*]

Mr. Bryden: Mr. Speaker, I am pleased to take part in the prebudget debate, particularly because today the finance committee submitted its fifth annual report of the Standing Committee on Finance entitled "The 1997 Budget and Beyond: Finish the Job".

The finance committee went into quite a bit of detail about proposals that would increase and encourage charitable giving in Canada. This arises from some of the remarks of the finance minister during the 1996 budget debate when he suggested that government should be getting out of some services and perhaps charities should be encouraged to take up where government is leaving.

The finance committee held hearings, heard from the charitable industry and made a number of recommendations to encourage charitable giving both by individuals and corporations.

We should remember, however, that when individuals or corporations give to charity this money does not go into the tax coffers in Ottawa. In a sense every time money is given to a charity it is money that is not given in taxes to the government to spend. It is given to private corporations to spend.

In one very real sense I was disappointed by the finance committee's report because while endorsing various measures to encourage charitable giving it did not mention about encouraging the charitable sector to be more accountable.

I have an interest in that because two months ago I tabled before the finance committee a report I had prepared entitled "Canada's Charities: A Need for Reform". This was a result of an effort entirely on my part in which I examined the financial information returns of about 600 charities and compared them to the financial statements of individual charities when I could get them.

I discovered that for decades and perhaps forever Canada's charitable sector had been managed without any reasonable measure of government accountability.

• (1705)

The most elementary things are lacking in the way charges are managed. We do not even have a definition that is more recent than 1601, the time of Shakespeare. That is the definition Revenue Canada uses to define what a charitable organization is when it comes to giving and to tax deferral.

There are no penalties; there are no measures. Even in the T-3010 form, the financial reforms I examined, I found all kinds of inconsistencies. Charitable organizations were able not to fill out the form adequately because there were no penalties in legislation other than revocation of charitable status to ensure compliance.

Something very big is at stake. It is not just a matter that the finance committee proposed encouraging people to give more to charities. It is also the fact the charitable industry is a huge sector of the economy. As of 1993 there were 73,000 charities in Canada. The revenue going in and out of charities accounts for about \$86 billion.

I say to the member for Vancouver East that it is equivalent to the GDP of British Columbia. She would know the charitable industry, which is basically unmanaged by the federal government, has an enormous consequence on the economy in general. In fact 1.6 million Canadians are actually employed by charities.

I examined several areas but I will only give a few instances because time is short. Revenue Canada rules would require that charities spend 80 per cent of their tax receiptable givings on charitable activities. There is a huge loophole in this regard. Charities get revenue from a variety of other sources, mainly from government and including some other charities like the United Way. Only a very small percentage of a charity's revenues in general come from tax receiptable donations. Most of it comes from other sources. Consequently many charities spend 50 per cent of their total revenue, 40 per cent of their total revenue, or almost none of their total revenue on actual charitable activities. It is a huge loophole.

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To become a charity is as simple as filling out a two-sided form, putting names on it and sending it in. The difficulty is that someone like myself, a member of the public or a member of Parliament cannot even examine that charitable application form to see who filled it out. The opportunities for abuse are legion. It is a very difficult matter.

Worst of all, I hate to suggest that Canadians suspect their charities. I am afraid they do. There is lack of guarantee that the charity one is giving to is managing its affairs competently. A difficulty is the Canadian public thinks that because a charity obtains registered status the federal government in some way is overseeing the charity and making sure it performs in a competent and responsible manner. I regret to say that is not necessarily so.

I could have wished the finance committee would have at least suggested to the Minister of Finance, in encouraging more donations to charities, that he demand at the same time increased responsibility, increased openness and increased accountability.

In the final analysis Canadians are generous. Canadians want to give. However they want to be sure that when they give they give to organizations that are accountable and that the maximum amount of the dollar they give actually gets to the worthy cause. Right now there is no such guarantee.

• (1710)

I made 64 recommendations and would like to highlight the main one. In the next budget I would like to see new regulations applied to charities such that the information Revenue Canada receives from charities is good, reliable information. To make sure it is reliable the government will have to apply penalties. Penalties will have to be introduced for charities that do not supply accurate information.

Once the information is received by Revenue Canada and we know it is accurate, Revenue Canada should take advantage of the electronic age and put that information on the Internet so that any individual or corporation considering making a donation to a charity can call up the financial information on that charity and know it has been vetted by Revenue Canada and is good information. They could see for themselves if the charity is wisely spending the money it is receiving from the public.

That one move would save billions of dollars which could go toward the deficit. It would also give Canadians a sense of confidence in the charities to which they are donating and would increase spending rather than decrease it.

I saw in the report of the finance committee that Canadians give less to charities than Americans give because in the United States the requirement for openness on the part of charities is much more rigorous than it is in Canada.

Charities are not the only problem. There is also the problem of non-profit organizations that are also tax exempt. There are 66,000 non-profit organizations ranging from Canadian automobile clubs to athletic clubs. They have revenues probably in the area of \$40 billion a year. These non-profit organizations are not accountable to Revenue Canada. The financial information returns they send in are secret. The public has no access to them. By law in the United States any person can walk into the office of a non-profit organization and demand to see its financial statements. That is not the case in this country.

I hope the finance minister and the revenue minister, in looking to charities to take up part of the slack left by government as it abandons certain areas of social services and health services that have traditionally been a part of government and in encouraging corporations and individuals to give to these charities, will remember that the ultimate responsibility is to ensure these organizations are as accountable as government departments.

Mrs. Anna Terrana (Vancouver East, Lib.): Mr. Speaker, I am rising to speak because of my strong concerns regarding new problems that are being created by our focused concentration on deficit reduction. The Liberal government has done extremely well in reducing the deficit, bringing confidence back to our country and ensuring at the same time low inflation and low mortgage rates. In all, our Liberal government has been the catalyst in re-creating a healthy, vibrant and competitive Canadian economy.

Low mortgage rates are putting money back into the pockets of consumers and are greatly contributing to increased housing starts in Canada. However low mortgage rates are an advantage only to those who can afford to purchase a house.

It was crucial for our Liberal government to follow the path of fiscal responsibility, for by staying this course we will have a balanced budget for the first time in over 20 years and will be able to start reducing the federal debt in the next millennium a mere three years from now.

During the 1993 federal election the Liberal Party promised that if elected as government it would put Canada's fiscal house in order. I am proud to stand in the House today as a member of the governing party caucus to say that the Liberal government has kept its word. Consequently Canada's fiscal situation is the envy of the industrialized world.

Though the course we took was necessary, it has also resulted in hurt for many Canadians across our great country. Hurt has resulted in human misery for an increase in the number of Canadians who now live in poverty. Hurt has resulted in many Canadians facing difficulties in getting out of a cycle of dependency that is both demeaning and destructive.

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• (1715)

Today I would like to talk about poverty. I encourage the government to start working toward improving the situation of the Canadian underclass which statistics say is increasing in our country, and the quality of life of many people who do not just need help, but also need a voice.

In January 1996 at the Fraser forum, Chris Sarlo defined the "Basic Needs Poverty Lines" as follows:

A person is defined as poor if they can, at best, afford only the basic physical necessities of life. These necessities include: an appetizing and nutritionally complete diet; apartment rental accommodation with the number of rooms appropriate to family size and with the full complement of essential furnishings, household supplies and telephone service; clothing which is purchased new, appropriate to the season and with replacement rates assuming normal wear and laundering; a full range of regular, preventive and emergency health care, including personal hygiene, vision, and dental care; and essential transportation linking one's shelter to other basic needs. In all cases, the standard of quality of each of the basic needs is that which is considered minimally acceptable in Canadian society.

In a country as rich and prosperous as Canada, all Canadian people are entitled to at least these minimal basic needs. But if we take these needs one by one, we realize how different reality is. According to Statistics Canada, my riding of Vancouver East has within it the poorest postal code area in all of Canada. In many areas in my riding, poverty is rampant and the daily reality of life for people is often as follows.

An appetizing and nutritional complete diet. A large number of children in my riding have one meal a day and this is in school. Due to the unsafe nature of many areas of my inner city riding, some schools in my constituency have joined together to start the Kidsafe program, which exists to feed and protect local children. This community initiative, which offers children a safe place to go to during school breaks and after school, began after a young child in my riding, who had no place to go to after school hours, was physically assaulted.

A school's responsibility is not to babysit children. Children generally are better off at home where their parents are. However, in repeated cases across Canada, many children are better off at school and away from their homes. For Vancouver's schools that offer the Kidsafe program, this service is very costly and demanding. However, the schools' principals and staff are to be commended for taking such action and helping children survive in a safe environment.

Apartment rental. Decent housing is extremely important for all of us. How can you have a decent life without decent housing? The federal government is currently committed to \$2 billion a year to subsidize 661,000 social housing units across the country. This program has provided a large number of people, many of whom are

children, single mothers, elderly, disabled and people on social assistance with a decent and affordable place to live. Unfortunately the government is devolving to the provinces the authority for administering this program.

Before I entered politics, I was involved in social housing. I administered Casa Serena, a senior citizens home that was built by the Italian Cultural Centre Society of Vancouver with the support of the federal and provincial governments. I was responsible for interviewing the people who applied for accommodation and I was appalled to learn of the condition of certain housing facilities.

Recently I visited the inner city area of Vancouver East and I can assure the House the skid row hotels are places not fit for human beings. Over 10,000 Vancouverites live in what is said to be the most expensive housing in Canada. These rooms are only 80 square feet and have just a bed and hotplate and rent for an average of \$375 a month. Vancouver East offers concrete evidence that the government should stay in the social housing field.

Clothing which is purchased new. Many of the students of the inner city schools in my riding never wear new clothing. They have to count on the charity of others and only if they are lucky will they have proper clothing to wear.

A full range of regular, preventive and emergency health care. These benefits are available for all those who are on social assistance, but the moment they start working, they lose all these benefits. That is one of the reasons the working poor remain poor. They are people who work for minimum wages and have to pay for all their benefits, including a portion of child care costs, dental and drug costs, and in B.C. medical insurance premiums. Essential transportation. The same problems encountered with benefits is also encountered with transportation. The working poor are not earning enough to meet their basic expenses.

• (1720)

It is time to take these problems into serious consideration. This year the United Nations has given Canada a low ranking for its record on child poverty and suicide. In June 1996 the UNICEF program of nations report was released indicating that Canada has the second highest number of poor children among the 18 industrialized countries. This is unnecessary and I strongly believe that the government has a moral obligation to find workable solutions to resolve this grave problem.

The United States has the largest number of poor children, Finland has the fewest. Among our poor children, the majority are aboriginal who at times live in abysmal conditions. Among aboriginals, poverty is much higher than among other Canadians, suicide is seven times more common, infant mortality twice as high and

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the high school dropout rate is 50 per cent higher. What a waste of human potential.

Some of my colleagues and I have been very concerned about the children of the working poor. After much work, we were relieved to learn that in the last budget the Minister of Finance partially addressed the problem by increasing the maximum annual benefit from \$500 to \$750 in July 1997 and to \$1,000 in 1998.

When fully phased in, this working income supplement will provide an additional \$250 million annually to an estimated 700,000 low income working families, one-third of which are single parent families. I was also extremely pleased to find in the 1996-97 budget a whole section devoted to increased support for children.

The coming budget must continue the trend toward helping the working poor and children living in poverty. My ideal budget would include increased assistance to those in need through tax credits; continuation of benefits for a period of time to those people who join the work force at minimum wage; assistance to make people with disabilities full participants in Canadian society.

Early prevention programs through Health Canada. It is important to help children start their life healthy and in a good environment. This can partly be accomplished through the continuation and expansion of programs like the Community Action Plan for Children and Head Start. Both of these programs have been very successful in teaching poor families about nutrition and helping them curb violence and in empowering many parents in their parental role.

Finally, a national child care program. I know that at times the federal government has to work with the provincial and territorial governments to implement programs. The negotiations which are currently taking place between governments is heartwarming. Hopefully we will be able to work together and alleviate some of the problems that touch people in need.

After all, in a 1994 Angus Reid poll, 89 per cent of Canadians agreed that child poverty was a priority for government and in 1995, prior to the federal budget, Canadians listed child poverty as one of the top three priorities of government. Let me remind the House that wherever there is a poor child there is at least a poor parent.

The recent report presented by the Standing Committee on Finance speaks to the concern I express and I would like to thank its members on behalf of my constituents.

The Deputy Speaker: I do not like to interrupt the hon. member, but her time has expired.

[*Translation*]

Mr. Gilbert Fillion (Chicoutimi, BQ): Mr. Speaker, I have listened carefully to my colleague's speech. I cannot let some of

her remarks pass without comment. It is a pity, because I had the impression that my colleague had a heart, and could be moved from time to time by child poverty or the situation of single parent families.

It is clear from her speech that she is prepared to go to great lengths in this area in order to do something for the poorest members of society. But she has made a colossal error in her remarks about social housing. I am sorry, my dear colleague, but despite the promises made by the Prime Minister in 1993 during the election campaign, and the promises made by the Minister of Finance during the same period concerning social housing, nothing has as yet been done.

They were going to give money to housing co-operatives so they could make improvements. But, since 1993, nothing more has been heard. There has been nothing. No money has been made available. The same thing goes for construction of new social housing.

• (1725)

Since 1993, this government has not come up with a red cent for building new social housing. It is therefore incorrect to tell Canadians that this government is trying to do something about the problem of social housing. It is true that the budget shows it is paying a certain amount for social housing, but this is for existing housing. It therefore has responsibilities towards those residents.

Now, this responsibility has been transferred to the provinces, but minus the tax points or the money that should go with it. The result is that now the whole social housing policy in Quebec must be reviewed because the federal government is not meeting its obligations, even though they were renewed during the election campaign. I would therefore ask my colleague across the way simply to rectify what she said about social housing.

Mrs. Terrana: I do not think I need clarify anything. In fact, my colleague is right, we are no longer building new housing. Naturally, I am not happy about this, but we have had to take decisions to get back on track with our deficit and the economic situation of the country.

The situation my colleague has criticized is very crucial, but I would also like to add that, although the government is turning responsibility for the administration of housing over to the provinces, it is also going to promise to transfer to them the funds necessary to pay for housing in which people are already living.

Mr. Gilbert Fillion (Chicoutimi, BQ): Mr. Speaker, I am pleased to speak on this motion relating to the fifth report of the Standing Committee on Finance.

I must acknowledge the honesty of my colleague across the way for rectifying the facts in response to the question I asked. She corrected herself with respect to social housing, and gave Canadians the truth: that this government has done nothing since 1993 to

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build more social housing. She even gave me a scoop, by indicating that she was going to strongly debate in caucus the fact that this government is transferring to the provinces the equivalent of what the entitlement for social housing would be. I congratulate her on the aptness of this remark. I will, moreover, carefully reread today's *Hansard* in order to get all of the details of what she said.

This motion on the fifth report of the Standing Committee on Finance worries me a little, and the title of the report grabs the reader's attention right away.

The title of the report, "Finish the Job", speaks volumes on the Liberals' intentions. When one reads this report carefully, one sees that they do, indeed, wish to finish the job, the job they are doing on the unemployed, by tightening the requirements for receiving UI benefits. To me, then, this is not a reassuring title, when one knows very well how the Liberals have treated the public since their election. We need only think of the blind cuts this government has made in order to do away with its deficit, unprecedented cuts in areas as important as health, education and social assistance—areas I also care about.

• (1730)

The government's sole purpose is to reduce its deficit by hitting on anything that moves, especially the middle class and the neediest in our society. Not those who take advantage of tax shelters, not the large corporations or the chartered banks. It prefers to attack this part of the population first.

Personally, I agree with deficit reduction. Of course I do. We used to have governments that could not handle their spending power. They would spend taxpayers' money as though it were going out of style, and today we have to pay the bill. So it is absolutely necessary to reduce the deficit.

However, I do not agree with the way the government is going about this. As usual, the government is coasting. It is not meeting all these problems head on. It is trying to avoid them. Its only purpose in life is to tell the public that it is reducing the deficit. This is like having a healthy bank account but not using it to feed your family. It is like going shopping for groceries but not giving these groceries to the people who need them.

The family is the Canadian public, which believed this government, which was elected because it shouted from the roof tops a single word: jobs. Instead of saying it just once, it went so far in its hypocrisy as to say it three times. Everywhere we look in the red book, it says, not once, but three times: jobs, jobs, jobs.

According to the latest forecast given by the Minister of Finance, the federal deficit will have decreased by \$25 billion between 1993 and 1998. Let us take a look at how the government managed to do that. Personal taxes, in the meantime, have increased by \$23.1 billion since 1993. So there is no longer much of a difference. The money comes from somewhere. We must not fool ourselves.

Obviously, if revenues increase this way, we can certainly lower the deficit. However, have this government's expenditures been reduced accordingly? They have been reduced by only \$14.4 billion. So the government is misleading the public to no small extent when it says it has reduced expenditures and that the savings go directly to reduce the deficit. That is not the case.

"Finish the job" simply means that our taxes—direct or indirect—will be increased in the next budget. We run the risk of once again paying for the government's lack of understanding, as the unemployed are already doing.

If people were at least finding work, if our young people were at least coming out of our educational facilities with the hope of finding a job, if parents could at least ensure a modicum of comfort for their children, we could say that the economy is moving and we would not have the social problems we are facing now. However, this is not what is happening.

Our young people are leaving their regions in the hope of finding work elsewhere. I say, "in the hope", because after a while they come back empty-handed.

• (1735)

What we are also seeing is fathers and mothers who must rely on social assistance to survive. What is this government doing? It is reducing its deficit on the backs of these people.

I repeat, we are in agreement with the principle of reducing the deficit, but the way in which this government is going about it, despite its promises, is hurting the public badly.

One approach the Liberal government has taken, and which is still the most unacceptable, is to keep dipping into the unemployment insurance fund over the last three years. This is nothing but a hidden tax on employment.

Of course, they tell us that it is not, but let us ask the following question: Where does the unemployment insurance fund surplus go? We are talking about \$5 billion out of the unemployment insurance fund that the government uses every year to lower its deficit.

They keep trying to make us believe in their discourse that the government wants to build up a cushion, for use in the event of a recession, for example. However, at the rate things are now going, the rate it is taking money out of the fund, the cushion it is trying to build up is more like a mattress, a great big overstuffed mattress, whose purpose is not to provide for the lean years, but to reduce the deficit.

We have only to look to our riding offices. What is going on is very revealing. We in the Bloc Québécois regularly meet with people in employment centres. I do not know if members across

the way do the same. At the present time, employment staff in the human resources development centres are being given training to explain what the new employment insurance program is all about. We know that it will come into effect on January 1, 1997. A number of questions have been asked on that point, and the responses have been evasive enough to prompt newspaper headlines such as "Minister of unemployment insurance—to call it what it is—not familiar with his own files".

This is a new insurance regime, a word I choose because it describes exactly what we are going to see in 1997: the people will be put on a weight loss regime, a diet. For a number of our fellow citizens, our constituents, this may turn into a starvation diet.

What keeps being repeated in the training courses, what the employees, the public servants, are being told, is that the new "regime" is based on the money saved in the unemployment insurance fund. Is this not scandalous?

This means that as much money as possible must be left in the unemployment insurance fund. This fund must be fattened up as much as possible, instead of being given to those in need of it. The eligibility criteria will be raised so high that, eventually, very few will be able to benefit from it.

• (1740)

When you get elected on a platform of "jobs, jobs, jobs", you can hardly afford to rationalize taking money out of the unemployment insurance fund or premiums. Instead of using the unemployment insurance fund surplus to absorb his deficit, the Minister of Finance should use that money to deal with the unemployment problem.

They are applying bandaids solutions right and left. Have these people on the other side of the House really weighed the pros and cons, have they really thought about the whole unemployment question?

In my region last month, we lost the dubious honour of being the unemployment champions of this country. However, on the weekend, according to the latest statistics, we won the trophy back, with a rate of 15.1 per cent. That was the worst news they got in my region last week.

According to the *Labour Market Bulletin* for the second and third quarters of this year, many young people are the main victims of the deteriorating situation on labour market.

Among young people in my riding, the unemployment rate is 20 per cent. What is the government doing to turn this situation around? It offers young people absolutely nothing. The exodus of young people will continue. Of course that means that our regional

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unemployment rate will go down, but the unemployment rate will go up in other parts of the country, in the big cities.

I can hardly ignore the disaster that struck my region and especially my riding last July. In addition to the damage and the buildings that were destroyed, the disaster had an impact on jobs as well. Businesses had to lay off 3,000 persons temporarily. Of that number, many hundreds have yet to go back to their jobs. The tourism industry was hit very hard.

At this very moment, we may be seeing an increase in jobs in certain sectors like the construction industry. And obviously, there has also been an increase in retail sales. That is not thanks to the government but as a direct result of the disaster. When a family loses everything, it has to replace everything it lost. There are hundreds of families in that situation.

With all these job losses, you would have thought the federal government would have set up a special program to provide support for these businesses and the tourism industry and for all those who lost their jobs at that time.

The government provided assistance to non-profit organizations. This assistance came almost immediately, I must admit that. In this sector, the government was indeed present, but in other areas, where jobs were affected most, the only program offered was to owners of businesses who could get federal assistance, provided they hired people to do exceptional work. Let me explain.

• (1745)

Pretend you own a convenience store, a restaurant or a grocery store. You have to lay off your employees, your capital is gone because the business has been closed for six months, and there is an offer to fund a job involving unrelated activities. Try asking a convenience store owner to hire a dressmaker. Try asking a restaurateur to hire a pump operator. It is that crazy.

It is therefore this government, the people opposite, that have lost touch with reality. People do, however, want to work. They want to re-open their businesses. But it has been difficult. We have been unable to find a receptive ear. And yet, we have met these people at all levels, ministers too. The results are not there.

In his next budget, the Minister of Finance will have to recognize, for once, that the people have given enough. They pay enough income tax. Employers need support to keep creating jobs. If the minister sticks to his present course, he will absolutely have to find ways to repair the wrongs he has done.

The Bloc Québécois has, through its members sitting on the Standing Committee on Finance, submitted a slew of measures this government could use. It is up to you first to read them, examine them, study them in depth and remedy the state of this country's finances.

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As I said at the outset, this report "Finish the Job" should join the multitude of government reports gathering dust on the shelves. What this government has to do is not finish the job but get on with it.

[*English*]

Mr. Dick Harris (Prince George—Bulkley Valley, Ref.): Mr. Speaker, I listened to the member for the Bloc talking about the prebudget run-ups. I just want to get a clear understanding what the member would say to this question. If there were one thing the Government of Canada could do to help the unemployment situation in his particular riding and in the province what would that one thing be? Would it be to pour millions of dollars into the province and into his riding by way of job creation projects, or would it be to give the private sector in the province of Quebec and in his riding an incentive through the lowering of taxes and the lowering of costs of doing business so that the environment of the business community would be such that it could flourish and prosper, thus creating more jobs? I want to be clear on exactly which one he would choose.

If the province of Quebec was in fact a separate state or nation, would the member ask those running the country to do exactly the same thing?

[*Translation*]

Mr. Fillion: Mr. Speaker, I thank my hon. colleague for giving me the opportunity to address issues I did not have time to mention earlier. I did not have time to elaborate.

The Bloc Québécois' approach to making changes has been known for some time. Those who have been following the Bloc's performance in this House over the past three years know that suggestions to improve the employment situation were made to the government in several reports, but that, in most cases, as usual, the government ignored our suggestions.

• (1750)

In response to my hon. colleague from the Reform Party, regarding specifically the unemployment insurance fund, if, instead of using the surplus to absorb the national deficit, employer and employee premiums were substantially reduced to ensure this fund is balanced, our businesses could already make use of that money to create new jobs.

As for involving a mix of business people in privatizing public functions, different schemes could be considered. The Bloc Québécois suggested several. We are of course in favour of making every effort to create jobs. What is happening at present with this government? They are talking about subsidies left and right, but none are actually granted in any area. Businesses go to the business development bank, but nothing happens. There are no programs specifically designed for these businesses. It is a disaster, any way you look at it.

For the time being, what is required is perhaps not so much to create jobs as it is to strike a balance. All in all, there were not that many jobs created over the past three years. Since we have been allowed to speak about Quebec, when Quebec will take over manpower training—and I think this is the key to job creation—we will be able to train people in those areas where jobs are available. All too often, it is in high technology areas where productive and well paid jobs are created that employment can be found. Quebec could easily train people under those circumstances.

Even now, if only Quebec were getting its fair share from this government, it could create jobs in almost every sector. In research and development for example, Quebec's share currently amounts to 16 or 17 per cent. This is a very productive area.

It is the same with defence. Quebec is not getting its fair share in that area either. Give us our share, what is rightly ours, then the Quebec government will be able to create productive and well-paid jobs.

[*English*]

Mr. Ian McClelland (Edmonton Southwest, Ref.): Mr. Speaker, I wonder if the hon. member would give us his impression of the effect of the high levels of taxation, particularly payroll taxes, on the economy in Quebec.

I am speaking specifically of the underground economy. It is the impression of many people that the underground economy is alive, well and thriving in areas of high taxation.

[*Translation*]

Mr. Fillion: Mr. Speaker, the question is twofold.

First, there is the Canada social transfer. To be sure, the federal government transferred responsibilities in various sectors, including health, housing, as I pointed out earlier, and education, without also transferring related budgets. There is no doubt that the federal government dumped on the provinces, thus forcing the Quebec government to review its social programs, so as to balance its budget.

As the Bloc Québécois has been telling the government in this House, the whole issue of clandestine work must be reviewed.

• (1755)

Bloc members sitting on the Standing Committee on Finance made a number of proposals on this issue. You can rest assured that, in Quebec, the same thought process is going on and the Government of Quebec has taken steps in certain areas to control this problem. I do not think any politician can oppose such measures. At some point, we must absolutely give ourselves the necessary means to control clandestine work, something which the members opposite are not doing. Yet, they have received, on

several occasions, suggestions from Bloc members sitting on the Standing Committee on Finance.

[*English*]

Mr. Gar Knutson (Elgin—Norfolk, Lib.): Mr. Speaker, I will be splitting my time with the member for Beaches—Woodbine.

I begin my speech by commending the government for the job it has done on getting the deficit down. Regardless of any of our views on the actual details of the budget concerning how the money should be spent, we could probably all agree that the country is in far better financial shape now than it was three years ago.

In 1995-96 the government achieved a budget of \$28.6 billion. By 1996-97 it is estimated that deficit will drop to \$24.3 billion and go down to \$17 billion or better by 1997-98. In 1992 Canada's deficit was double the G-7 average at 7.4 per cent of gross domestic product. This was a huge burden on our country and I believe we were on the verge of financial ruin. By 1996 our deficit had fallen to below the G-7 average and by 1997 will be the lowest of all G-7 countries.

While there has been a tremendous cost to achieve these results, with many people enduring serious cuts, layoffs or whatever, as a country we should feel pleased with the results to date. We are enjoying lower interest rates, which is good for the economy, good for jobs. It is good for the housing market. It is good for consumer spending as people have lower costs when they borrow money. It is good for things like purchasing cars. These are all important issues in driving the economy and helping to create jobs.

Jobs were the key issue when this government ran in 1993. Unfortunately they remain the key issue to date. Let us look at the positive aspects of our record to date. Since 1993 the country has created 670,000 net new jobs. Currently Canada and the United States have the fastest job growth of any countries in the G-7 but unfortunately we all recognize that more needs to be done.

An unemployment rate of 10 per cent is very high and we should work collectively as a nation to solve it. There are no magic answers to the problem of lowering the unemployment rate but we must all appreciate that 10 per cent is far too high. It represents a drain on our economy of lost productivity. It represents a waste of human potential, a waste of human dignity. We must all come together and try to find a solution.

I will talk specifically for a moment about two of the more minor areas in the budget which are unrelated to the broader macro issues of deficit, debt, inflation and jobs. First I will talk about expenditures in the environment portfolio.

Under the current government budget plan we are scheduled to spend roughly \$480 million on the Department of the Environment

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by 1998-99. That is an annual figure. I would like to point out to the government, as I see there is a cabinet minister here, that the defence budget is roughly 20 times higher. I suggest we would be hard pressed to find a Canadian who felt that the defence or military threat to our country was 20 times greater than the environmental threat.

When we look at what people are worried about in terms of climate change, air pollution and toxic chemicals in their water supply, we would be hard pressed to say those are all very serious issues but the military threat is 20 times greater. Not one of us would believe for a moment that those numbers are in proper proportion. If anything, Canadians would probably want us to spend 20 times more on preventing pollution and cleaning up the environment than we currently spend on defence.

The reason we spend so much on defence is probably that concerns about the military and defence have about a 5,000 year history while concerns about the environment probably have a 50 year history. I will leave the issue of defence spending and environmental spending to talk about another important issue, child poverty.

• (1800)

In his budget speech in 1996 the finance minister asked: "Why not decide together that in 10 years hence increasing child poverty rates will be a thing of the past?" The finance minister should do just that. He should decide that increasing child poverty rates should be a thing of the past. Each year something in this regard should be done in the budget. I know we cannot cure the problem in one year, but every year we should put forth a new program or new expenditure designed to cure the problem of child poverty.

Currently Canada's child poverty rate is only exceeded in the OECD by the rates of the United States and Australia. The consequences are well documented including poor health, rising crime and reduced educational achievement. Campaign 2000, as stated in its report card, indicates that child poverty rates in Canada have risen 46 per cent since 1989. The exact data for 1994 is not yet available but it is estimated the problem has not been alleviated with the recovery. Cuts to unemployment insurance expenditures and provincial welfare rates have likely offset any gain due to the improved employment numbers and the increase in the working income supplement.

I do not want to just criticize the government. It is also important to remind ourselves that current government programs including GST rebates, working income supplement, the child tax benefit and others prevent another 64,000 children from falling into poverty.

Let me talk for a minute about the child tax benefit which pays a maximum of \$1,020 per child to families with net incomes of \$25,921 or less. Benefits are gradually reduced as income rises and

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eliminated for a family with a net income of approximately \$67,000 annually and one or two children. Neither the benefit rate nor the income level for the benefit reduction is fully indexed to inflation.

I should like to hammer away on this point. Currently the rate for the child tax benefit only goes up, if inflation is above 3 per cent, by the amount that inflation is greater than 3 per cent. The first three percentage points of inflation represent a real cut to the child tax benefit.

Although this might not seem like a lot of money in any one given year, the accumulated inflation year after year can have a huge impact. For example, it is estimated that on a \$5.2 billion program, which is what we currently spend through the child tax benefit, almost \$600 million in annual expenditure have been eroded away since 1993 when the Liberals were elected. That represents a \$600 million cut to poor and middle class families with children. As a starting point the government should say it will protect all programs that protect children from erosion by inflation.

Perhaps the government wants to know where to get the money from. Since tax brackets are not indexed to inflation we actually gain revenue simply by inflation. As the incomes of people go up by inflation they pay more in GST and income tax. The Minister of Finance and the government as a whole should put some of that money into protecting programs that affect children from inflation.

I appreciate that my recommendation if implemented would not solve the issue of child poverty. Issues such as the general level of unemployment, literacy and domestic violence are all part of the problem. However I firmly believe small steps are important particularly when made in combination. Furthermore, small steps will pay off politically for all of us. I ask the government to take into account what I have said and implement full inflation protection for the child tax benefit.

[*Translation*]

Mr. Osvaldo Nunez (Bourassa, BQ): Mr. Speaker, I listened with great interest to the hon. member's speech. I know that he cares about the issue of child poverty. I also know that he supports his government's strategy against the deficit.

I do not think he mentioned the enormous problem we currently have with the unemployment rate, which exceeds 10 per cent in Canada and 12 per cent in Quebec, with the cuts made by his government to social programs, and with the fact that over 4 million Canadians live below the poverty level.

His government has demanded tremendous sacrifices from the most vulnerable in our society, like the unemployed and welfare recipients, but not from rich Canadians.

• (1805)

This is in contradiction with the traditional Liberal philosophy, which was based on compassion. A former Prime Minister coined the phrase "just society". Where is the compassion? Where is the traditional Liberal ideal of promoting a just society? I do not see any compassion in the government's agenda. On the contrary, the government is relentless with the unemployed and with welfare recipients, who are the poorest members of our society.

I would appreciate it if the hon. member could explain the contradiction between his stated concerns about children, and his government's policy, which in no way reflects his own concerns.

[*English*]

Mr. Knutson: Mr. Speaker, the question the hon. member asks is a legitimate one in an age when such significant cuts have been made. Certainly some of them have fallen on the disadvantaged in society.

He asks how we can call ourselves Liberals and how we can call ourselves caring. Unfortunately the only answer I can give him is that oftentimes the decisions we have made represent the lesser of various evils. If we had not made decisions to get the deficit down, the country would have been in virtual ruin and somebody else would have come in and made those decisions for us. The poor and the disadvantaged would have paid the highest price from rising interest rates and a country in economic ruin.

Certainly the economic system does not work well for all Canadians. There are far too many Canadians who are not participating in the recovery, far too many Canadians who do not have jobs and far too many Canadians who are suffering from the restructuring. When we take into account all the decisions the government has made and look at them as a whole package, I am not sure any other decision maker, whether the Tories or any other hypothetical government, could have done a better job on the whole.

We know many people are hurting. All I can say to Canadians is that the worst is behind us. We are now enjoying the benefits of lower interest rates. The federal government is the major borrower in the country and is enjoying the benefits of lower interest rates in the cost of borrowing. We should now push the federal government to use some of those savings to try to correct the imbalances and unfairness in the economy over the last few years.

Ms. Maria Minna (Parliamentary Secretary to Minister of Citizenship and Immigration Lib.): Mr. Speaker, for some time now some we have had some discussion with respect to the situation of our economy. Now that we have surpassed the concern of the deficit, or at least now that we have reached the targets the government has set for itself, interest rates are the lowest we have had in decades and inflation is low.

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There is a great deal of discussion in all corners of the country about what should be done now with what is perceived to be extra moneys available to ease up the pressures of the deficit situation. A great deal of what we here is also about tax cuts. I have some serious concerns and recommend that the government should not take this direction.

Tax cuts are not the solution. Lower interest rates have helped to save a great deal of money across the economy. Tax cuts in themselves tend to help people with the highest incomes and not those with the lowest ones. They tend to lower revenues, which means at a time of deficit and high debt there must be another way to replenish revenues.

It has been done in the province of Ontario where user fees are being brought in for just about everything. User fees are a regressive form of taxation because they hit everybody equally, especially those who have low incomes. They hurt people who are struggling at the moment. I do not see tax cuts as a solution to the situation of today.

The government has to look at the whole issue of how to ease up funds, what do do with them and in what areas of society to invest. It has to look at how to encourage the creation of jobs, assist people in difficult situations and invest in the future and the people of the country, the best resource we have.

• (1810)

I would like to look at what I call the social economy. We tend to look at social issues as having something to do with charity and social programs as opposed to something directly tied to the economy. The two are one and the same. I call it the social economic policy as opposed to one or the other.

The working income supplement was increased for poor families in the last budget. I am glad the finance committee recommended a further increase. That will put money into the hands of average families. These people do not have extra money. They do not use the money for holidays. That money is used to survive. It is used to buy products in their communities. It assists the economy at the same time as it helps families.

We need to address the issue of child care very aggressively so that affordable quality child care across Canada is accessible. A proper child care program allows people to work. Some family members are not able to go to work. Some are working and the children are being left in situations which are not healthy and nurturing. That does not assist in their development. That affects their future ability to produce and contribute to our society.

There is the whole issue of child poverty. Child poverty is very detrimental to the family. The Standing Committee on Human Resources Development recommended—and the government is

now committed to dealing with it—enhanced child benefits which puts money into the hands of families that require it. Again that assists in the nurturing of the child.

It is no secret that a child who is assisted from birth to three years of age or six years of age is an investment in society. These children will have a greater opportunity to develop normally and compete with the best in the world. We need to invest in the future of our children. Otherwise we will not be able to compete with the rest of the world. That is reality. That is part of our economy. The social costs down the road will be that much less.

We must guard our health care system. We must ensure that it is protected and that it remains a wholly public system. Health care is not only an economic issue. If people are worried about whether they will be able to protect their health tomorrow it increases their stress. The health of people contributes directly to their ability to work and to their ability to contribute to society.

In addition, the Canadian health care system enhances the ability to attract business. The quality of our health care system is one of the reasons businesses come to Canada, as well as the quality of life and our safe cities. Money spent in social and physical infrastructure attracts business to Canada. That is very positive. It has to do with the economy; it is not only a social issue.

When we invest in literacy, people are able to work. It is very sad that there are jobs going begging in the country which people cannot fill. Investing in literacy is investing in people: people are able to take the jobs which are available and we are able to compete with the world. It is an economic issue.

Let me touch on the whole issue of work. We need to look at work in a different way. We cannot simply talk about employment. We have to look at the quality of work. What does that mean?

It is time to look at things such as work sharing and possibly a four-day work week. Husbands in my constituency have said they would love to be able to work four days so that they could share in child rearing responsibilities with their wives. It is social, but it is part of the economy and helps the employment situation.

Any moneys invested in assisting youth in the transition from education to employment or in youth training are very important. The recent announcements of the government in this regard are excellent. It is investing in people.

• (1815)

The Donner report to the government stated that it would like to see the government implement a 40-hour week, giving people the right to refuse overtime. Overtime in this country has become enormous. People go home so stressed that it is affecting families. When stress becomes chronic, it affects health, production and the

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economy. Again, it is something else that we need to look at. It is very important.

We need to find a way to bring together the skills of Canadians in a national apprenticeship program. We need to negotiate with the provinces an agreement for portability of trade. This is something that is very critical. We cannot have people who are trained in one province that cannot work in another. It is not a social program. It is an economic program.

Finally, we must begin to recognize that protecting the environment does not kill jobs. It creates jobs. We call them brain jobs sometimes.

We have tremendous ability in technology that we can sell abroad and invest in protecting our environment. At the same time it is creating jobs. Protecting the environment not only protects the future of Canadians and our planet but it also creates jobs.

I want to give a bit of an emphasis today on how to approach social infrastructure. When we talk about social infrastructure we are talking at the same time about economic infrastructure. The two are not separate. They are one and the same. They are very interlinked. I want to encourage the government to take that direction very aggressively in the next budget.

[*Translation*]

Mr. Stéphan Tremblay (Lac-Saint-Jean): Mr. Speaker, I listened to the remarks by my colleague opposite. She spoke of fine principles, job sharing and such things.

I am prompted to make a few remarks. Some two months ago, the government organized a national conference on young people in the new economy. With the job crisis faced by young people, the government panicked and wondered what could be done. So it invited young people from across Canada—from Vancouver to Newfoundland—in order to siphon off their ideas.

What was the outcome? Each speaker at the conference had a key role in the community. What was the outcome? A sort of consensus. I know, because I led a workshop. What appeared to come out was that employment problems, both social and economic, are regional. I know that in English Canada, when they talk of regions, they mean the Rockies and the Prairies. In Quebec, when we talk of regions, we mean the Saguenay—Lac-Saint-Jean or Abitibi regions, where economic and social realities differ.

My question therefore for my colleague opposite is as follows. Does she not think that decentralization of powers and funds would lead to more activity? My perception of this great Canadian Parliament is that we are trying to study a national problem and find a national solution. Most of the time, however, we know that problems vary from one region to the next, because the realities are different.

So, would it not be better to involve the regions more and decentralize power in order to have solutions to the real regional problems?

[*English*]

Ms. Minna: Mr. Speaker, the hon. member tends to generalize when he talks about decentralization. It depends on exactly what we are talking about.

If the hon. member is referring to my comments with respect to training and education as well as trades and portability, there is no question that the needs of the country, because of its vastness and regional differences, are different from region to region and sometimes within the regions of a province.

That does not negate the fact that at the same time the economy is national, that we sell ourselves around the world, that we try to export the talents that compete around the world. We have broken down trade barriers with everybody but ourselves.

• (1820)

One of the strongest comments I heard continuously throughout the human resources committee hearings two years ago was that people wanted to see some semblance of principles and objectives in the area of trade as well as portability. People wanted to be able to move across this land and be able to use their skills regardless of whether they are working in Montreal or Vancouver.

Mr. Monte Solberg (Medicine Hat, Ref.): Mr. Speaker, it is a real pleasure to speak to the prebudget debate.

I begin by acknowledging the chair of the finance committee who has always been extremely fair. He was fair again and did a good job of conducting things, speaking from a logistical point of view. Again, he has always been more than fair to members of the Reform Party.

Unfortunately I cannot say very many good things about the government members' report on the prebudget hearings. Frankly, I think there are a lot of problems with it.

I just complimented the member on how he ran the hearings, but it was fairly obvious to me and my colleagues that many witnesses had the big problems with the whole process surrounding the prebudget hearings. People who travelled on either leg of the prebudget hearings will acknowledge that we had to cancel all kinds of sessions this time round simply because witnesses did not show up. Apparently there was some confusion but also people did not see the value of appearing before the finance committee once again.

In fact, there is no question in my mind, if people ever knew they no longer know why we are having prebudget hearings. My

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experience has been that a lot of people came and put forward issues that had absolutely no chance of being accepted by the government. It is acknowledged in the government's report that many social groups advocated all kinds of ideas that simply were not on.

It is incumbent on the government, if it is going to invite people to come and speak before it and spend hours putting together a presentation, that it says outright that there is no chance that those types of ideas are going to be accepted. In other words, there were no clear parameters for the debate. It is even acknowledged in the document. It states:

If anything, the success of the Government's approach has intensified the debate and transformed it. Advocates of spending cuts now argue that even deeper cuts can be and should be made to create room to reduce taxes on the deficit. On the other side of the spectrum, the advocates of higher taxes on corporations and "the rich" to finance deficit reduction now argue more vigorously for this approach and for the restoration of spending programs.

The Committee has preferred to avoid these extremes, supporting instead the approaches that are working and which are supported by the broad mainstream of opinion as demonstrated in its hearings.

There is a quote from Jordan B. Grant, chairperson, Bank of Canada for Canadians Coalition. It states: "You have savings of about \$4 billion. Our immediate suggestion is that in this budget you put the \$4 billion back into the economy".

Obviously Mr. Grant, whom I certainly do not agree with, was invited to the hearing, took some time to put forward a report and then has it dismissed out of hand. It should have been very clear early on that the government had a particular vision and then asked people to debate it. That is not what happened. People spent countless hours putting together reports and then they were completely ignored.

Meanwhile, we had all kinds of other people who should have been invited before the committee and simply were not. I speak of the C.D. Howe Institute, a well known and very reputable organization that comments on all kinds of economic matters, that was not invited. Neither was the Fraser Institute invited, one of the most prominent institutes with respect to economic matters in the country. The Atlantic Institute was not invited. It just delivered a report on the effect of the \$185 billion in subsidies of various kinds to Atlantic Canada. That report had a very high profile in the media but strangely it was not invited to appear before the finance committee.

● (1825)

The Canadian Taxpayers Federation attempted to appear. There was a little bit of a mix-up with respect to it appearing and its delegation said it would put it off for a little while. The people at finance said: "That was fine, put it off until next week when we return from our trip and perhaps you can come then". As it turned out that was the end of the hearings and its delegation never had a chance to come forward. The Canadian Taxpayers Federation, that speaks for about 83,000 people in the country, never had a chance

to appear before the committee and bring forward its members' views.

Do not take my word for it. I want to quote from the Alberta Chamber of Commerce "Policy News and Views" dated November 25, 1996. Chamber president Cheryl Knebel states: "We were extremely disappointed by the way this year's consultation process was organized. We came prepared to speak to budget specific issues like program spending, the deficit-debt, interprovincial trade barriers and regulatory overlap".

Ms. Knebel continued: "There is an expectation within the business community that when the government asks for advice on the budget process it is prepared to seriously consider views pertaining to the issue". She paid me a personal compliment which is nice, but it is not the point. She goes on to say: "He pressed to refocus the debate on the need to eliminate the federal deficit and reduce the debt as a fundamental means of addressing every other issue in government but there was just no support".

Obviously the whole thing is way off track. If you do not have goal any answer is equally good. People can say whatever they want. If there is no clear vision it does not matter what people say because the government has not laid down the parameters. It has not told the people what it wants. It is pretty difficult to get input when people do not know what the input is on.

Clearly the process is flawed. People were not coming out. The media was not very interested this time round. This should be exposed for the sham that it really has become even though initially perhaps the intentions were good.

I want to mention a couple of things about the report. I mentioned a minute ago that the government members on the committee had written in their report that the committee has preferred to avoid extremes. I am talking here on the one hand about spending reductions and tax cuts, and on the other hand about increasing spending. It supported instead the approaches that are working and which are supported by the broad mainstream of opinion as demonstrated in its hearings.

The government claims that these are working. Canadians are not working. If these approaches are working so well, why are Canadians not working? Unemployment stands at 10 per cent. We saw this in the Friday unemployment numbers. The premise rather obviously does not bear scrutiny.

If these approaches are working, why has the government's record on child poverty been so poor? It has gone to great lengths in the document to talk about the need to address child poverty. On the other hand it says its approaches are working. It is fairly clear they are not. By the government's own numbers we know that child poverty has actually become far worse under the Liberal government.

Government Orders

In 1989 a motion was moved in this place which said there are one million children living in poverty and that poverty should be eliminated by the year 2000. Today the number is 1.3 million. It is worse by one-third. I do not understand how the government can say that these so-called extremes, like cutting taxes, is somehow out to lunch. Looking at the empirical evidence, the government's approaches have not worked and we have to start casting around for some new ideas. That is exactly what the Reform Party has tried to do and we offered that in our minority report. I see my time is up.

The Deputy Speaker: The hon. member will have 12 minutes left if he so wishes the next time the matter comes before the House.

* * *

[*Translation*]

EXCISE TAX ACT

The House resumed from December 5, 1996 consideration of the motion that Bill C-70, an act to amend the Excise Tax Act, the Federal-Provincial Fiscal Arrangements Act, the Income Tax Act, the Debt Servicing and Reduction Account Act and related Acts, be read the second time and referred to the Standing Committee on Finance, and of the amendment.

The Deputy Speaker: It being 6.30 p.m., the House will now proceed to the taking of the deferred division on the amendment standing in the name of Mr. Loubier at second reading of Bill C-70.

Call in the members.

(The House divided on the amendment, which was negated on the following division:)

(*Division No. 198*)

YEAS

Members

Abbott	Althouse
Asselin	Axworthy (Saskatoon—Clark's Crossing)
Bachand	Bélisle
Bellehumeur	Bernier (Gaspé)
Bernier (Mégantic—Compton—Stanstead)	Breitkreuz (Yorkton—Melville)
Bridgman	Brien
Charest	Chrétien (Frontenac)
Crête	Cummins
Dalphond-Guiral	Daviault
de Savoie	Debien
Deshaies	Dubé
Duceppe	Dumas
Épp	Fillion
Gagnon (Québec)	Gauthier
Godin	Grey (Beaver River)
Grubel	Guay
Guimond	Harper (Calgary West/Ouest)
Harper (Simcoe Centre)	Harris
Hill (MacLeod)	Hill (Prince George—Peace River)
Jacob	Jennings
Johnston	Lalonde
Landry	Langlois
Laurin	Lavigne (Beauharnois—Salaberry)
Lebel	Leblanc (Longueuil)
Lefebvre	Leroux (Richmond—Wolfe)
Leroux (Shefford)	Loubier
McClelland (Edmonton Southwest/Sud-Ouest)	Ménard

Mercier
Mills (Red Deer)
Nunez
Picard (Drummond)
Pomerleau
Ringma
Schmidt
Solberg
Speaker
Stinson
Taylor
Tremblay (Rimouski—Témiscouata)
Venne

Meredith
Morrison
Paré
Piamondon
Ramsay
Rocheleau
Silye
Solomon
St-Laurent
Strahl
Tremblay (Lac-Saint-Jean)
Tremblay (Rosemont)
Wayne—80

NAYS

Members

Adams	Alcock
Allmand	Anderson
Assadourian	Augustine
Baker	Bakopanos
Beaumier	Bélair
Bélanger	Bellemare
Bethel	Bevilacqua
Bodnar	Bonin
Boudria	Brown (Oakville—Milton)
Brushett	Bryden
Byrne	Calder
Campbell	Cannis
Catterall	Chamberlain
Chan	Clancy
Cohen	Collenette
Collins	Comuzzi
Cowling	Crawford
Culbert	Cullen
DeVillers	Dingwall
Discepola	Dromisky
Duhamel	Dupuy
Easter	English
Finestone	Flis
Fontana	Gaffney
Gagliano	Gagnon (Bonaventure—Îles-de-la-Madeleine)
Galloway	Godfrey
Goodale	Grose
Harb	Harper (Churchill)
Harvard	Hickey
Hubbard	Irwin
Keyes	Kilger (Stormont—Dundas)
Knutson	Lavigne (Verdun—Saint-Paul)
LeBlanc (Cape/Cap-Breton Highlands—Canso)	Lincoln
Loney	MacLellan (Cape/Cap-Breton—The Sydneys)
Maloney	Marleau
Martin (LaSalle—Émard)	Massé
McCormick	McGuire
McKinnon	McLellan (Edmonton Northwest/Nord-Ouest)
McTeague	McWhinney
Mifflin	Minna
Mitchell	Murphy
Murray	O'Brien (London—Middlesex)
O'Reilly	Pagtakhan
Parrish	Patry
Payne	Peric
Peters	Peterson
Pettigrew	Phinney
Pickard (Essex—Kent)	Pillitteri
Proud	Reed
Richardson	Robichaud
Robillard	Scott (Fredericton—York—Sunbury)
Serré	Shepherd
Sheridan	Simmons
Speller	St. Denis
Steckle	Stewart (Brant)
Stewart (Northumberland)	Szabo
Telegdi	Terrana
Thalheimer	Torsney
Valeri	Verran
Volpe	Walker
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Young	Zed —124

Adjournment Debate

PAIRED MEMBERS

Bergeron
Canuel
Graham
Sauvageau

Bertrand
Caron
Jackson
Whehan

• (1855)

The Deputy Speaker: I declare the amendment lost.

(Amendment negated.)

ADJOURNMENT PROCEEDINGS

[*Translation*]

A motion to adjourn the House under Standing Order 38 deemed to have been moved.

CHEMICAL PRODUCT INDUSTRY

Mr. Jean-Guy Chréti n (Frontenac, BQ): Mr. Speaker, last week I questioned the Minister of Agriculture about the Pest Management Regulatory Agency, or PMRA. This agency is being created from services in three departments: Health, Agriculture and Environment.

The Minister of Agriculture and Agri-Food, or his colleague at Health Canada, wants to recover 60 per cent of the costs from the sales of pesticides. Our American neighbours only recover 15 per cent of the costs, which means that Canadian companies will move to the United States to develop their products in that country or that farmers will buy their chemicals directly in the United States, because they will be cheaper there, probably much cheaper. With such a cost recovery level, the price of herbicides, insecticides and fungicides is going to increase dramatically.

Let us now look at the services provided by the PMRA. It will test product safety and also product effectiveness. Companies already test the effectiveness of their products, but the government wants to redo the testing. The results must show an 80 per cent effectiveness over two crop seasons. This type of test was not carried out before, but the government now claims that it will improve public safety. Does it mean that the public is not safe at the present time?

Farmers believe that it is up to the market to determine whether a given product is effective or not.

• (1900)

If a product is known to be ineffective, it will be quickly eliminated from that market because of a lack of consumers. The PMRA also wants to reassess every two to five years all the products that it has already certified and not only those that require certification. Thus, the PMRA will do costly audits that are not

really necessary. Producers never asked for such measures and these will entail major costs for the agency.

Moreover, this 60 per cent cost recovery will be difficult to apply to industries that develop low volume consumers' products. Consequently, my estimation is that between 21 and 30 per cent of products used in pest management will no longer be available to agricultural producers if the PMRA goes ahead as expected with its cost recovery policy, that is, 60 per cent of the costs.

I just outlined very briefly the most important elements of the PMRA issue, particularly as it pertains to cost recovery. Thus, in light of all the available data, the PMRA will function less quickly than its American counterpart. It will cost more, will be less efficient, will perform more audits than necessary and there will be less products available on the market. Thus, there may be job losses and our producers will be less competitive.

For the sake of fairness for agricultural producers in Canada and Quebec, I challenge the government, particularly the ministers of health, environment and agriculture, to review the way the agency recovers costs associated with the certification of pest control products.

[*English*]

Mr. Joseph Volpe (Parliamentary Secretary to Minister of Health, Lib.): Mr. Speaker, the government made the commitment to reform the pest management regulatory system to make it more responsive to stakeholder needs while at the same time protecting the health and environment of Canadians. We are doing so.

The fact that cost recovery would be used to implement the reformed program was agreed to by the industry and farmers as long ago as 1990.

I want to inform the member that although the United States system appears to cost less, this is quite frankly not the case. All states, except Alaska, charge fees on top of the federal fees charged.

California alone for example recovers about \$27 million based on \$1.2 billion in pesticide sales. In contrast, the PMRA plans to charge \$15.3 million for \$1.4 billion in pesticide sales. That is almost half as much or put differently, there is \$1 for every \$93 of sales in Canada as opposed to \$1 for every \$44.50 worth of sales in California.

The member will be pleased to know that the cost of the reformed pest management regulatory system in Canada is very competitive with the costs of other countries such as the United States and Britain. The Canadian cost per registered product is 15 per cent less than in the United States and 30 per cent less than in the United Kingdom.

The member should be aware of the own use import program. This program allows farmers to import products for their own use when they consider the registered products on the Canadian market to be uncompetitively priced by manufacturers.

Adjournment Debate

We are putting in place an efficient regulatory system to serve the needs of all Canadians wherever they reside in Canada.

deemed to have been accepted. Accordingly, the House stands adjourned until tomorrow at 10 a.m.

The Deputy Speaker: The motion to adjourn the House is now

(The House adjourned at 7.05 p.m.)

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