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(HANSARD)

Tuesday, March 9, 1999

Speaker: The Honourable Gilbert Parent

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HOUSE OF COMMONS

Tuesday, March 9, 1999

The House met at 10 a.m.

Prayers

ROUTINE PROCEEDINGS

• (1005)

[*Translation*]

GOVERNMENT RESPONSE TO PETITIONS

Mr. Peter Adams (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 two petitions.

* * *

[*English*]

PETITIONS

MULTILATERAL AGREEMENT ON INVESTMENT

Mr. Lee Morrison (Cypress Hills—Grasslands, Ref.): Mr. Speaker, I have a petition from residents in my riding in the districts of Mankota and Kincaid primarily.

The petitioners make reference to the proposed multilateral agreement on investment, the MAI. They state that there are problems with this proposal. They request that parliament impose a moratorium on Canadian participation in the MAI negotiation until a full public debate on the proposed treaty has taken place across the country so that all Canadians may have an opportunity to express their opinions and decide on the advisability of proceeding.

THE FAMILY

Mr. Pat O'Brien (London—Fanshawe, Lib.): Mr. Speaker, as the member of parliament for London—Fanshawe, it is a pleasure, pursuant to Standing Order 36, to present several petitions from my constituents and other people from the London area and district.

• (1010)

The first two petitions speak to divorce and to the call for amendments to legislation to better respect the rights of non-custodial parents and grandparents.

PUBLIC NUDITY

Mr. Pat O'Brien (London—Fanshawe, Lib.): Mr. Speaker, the second petition addresses the question of public nudity and requests certain amendments to legislation dealing with nudity.

MARRIAGE

Mr. Pat O'Brien (London—Fanshawe, Lib.): Mr. Speaker, I am very pleased to present the final two petitions which call for amendments to the marriage act to clearly define marriage as a contract between a single male and a single female.

HUMAN RIGHTS

Mr. Paul Szabo (Mississauga South, Lib.): Mr. Speaker, pursuant to Standing Order 36, I am pleased to present a petition signed by a number of Canadians, including from my own riding of Mississauga South, on the subject of human rights.

The petitioners draw to the attention of the House that human rights violations continue rampant around the world in countries such as Indonesia. They also acknowledge that Canada is recognized internationally as a champion of human rights.

Therefore the petitioners call on parliament to continue to condemn human rights violations around the world and also to seek to bring to justice those responsible for such violations.

ANIMAL RIGHTS

Mr. Peter Adams (Peterborough, Lib.): Mr. Speaker, I rise to present a petition on behalf of citizens of the Peterborough area who are concerned about the rights of animals.

They say the purpose of this petition is to take animals out of the realm of property and provide them with a bill of rights giving them rights to law and order, good government, life, liberty and the pursuit of happiness.

The petitioners point out that there is mounting evidence between animal abuse and domestic violence and violence against people in general. Essentially the Criminal Code regards animals as property and offences against them as little more than property offences.

In contrast to other countries, Canadian laws in this area have remained largely unchanged since 1892. Therefore these petition-

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ers call on parliament to work toward swift and effective action to modernize Canada's laws dealing with crimes against animals and that the penalties for such actions be made strict enough to act as a deterrent against such behaviour.

BIOARTIFICIAL KIDNEY

Mr. Peter Adams (Peterborough, Lib.): Mr. Speaker, I present another petition from citizens who support research toward the development of a bioartificial kidney.

They point out that those on kidney dialysis and those successfully transplanted recognize the importance of this life saving treatment, the bioartificial kidney.

They point out that inadequate dialysis service exists across Canada and they call on parliament to work and support the bioartificial kidney project which will eventually eliminate the need for both dialysis or transplantation for those suffering from kidney disease.

[Translation]

PAY EQUITY

Mr. Yves Rocheleau (Trois-Rivières, BQ): Mr. Speaker, on behalf on behalf of some 1,500 persons in the region of Mauricie, I have the honour to table a petition calling on the federal government to withdraw its appeal against the public service pay equity decision and to give effect to the court ruling that it ensure pay equity for its employees.

I would draw to the attention of the House that many hundreds of these 1,500 petitioners work daily in the Shawinigan South taxation data centre, located in the riding of Saint-Maurice, which is represented here in the House by the Prime Minister.

I believe that these employees deserve to be congratulated for having the courage to sign this petition.

Mr. Michel Guimond (Beauport—Montmorency—Côte-de-Beaupré—Île-d'Orléans, BQ): Mr. Speaker, on behalf of the people of Beauport—Montmorency—Côte-de-Beaupré—Île-d'Orléans, and of the greater Quebec City region, who believe sincerely in male-female equality and in justice, I have the honour to table a petition demanding that the federal government withdraw its appeal against the public service pay equity decision and give effect to the court ruling that it ensure pay equity for its employees.

This is one of a series of petitions presented by my colleagues in the Bloc Québécois this morning and this week.

* * *

• (1015)

QUESTIONS ON THE ORDER PAPER

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

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

Some hon. members: Agreed.

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[English]

FEDERAL-PROVINCIAL FISCAL ARRANGEMENTS ACT

The House proceeded to the consideration of Bill C-65, an act to amend the Federal-Provincial Fiscal Arrangements Act, as reported (without amendment) from the committee.

Hon. Martin Cauchon (for the Minister of Finance) moved that the bill be concurred in.

The Deputy Speaker: Is it the pleasure of the House to adopt the motion?

Some hon. members: Agreed.

Some hon. members: No.

The Deputy Speaker: All those in favour of the motion will please say yea.

Some hon. members: Yea.

The Deputy Speaker: All those opposed will please say nay.

Some hon. members: Nay.

The Deputy Speaker: In my opinion the yeas have it.

An hon. member: On division.

(Motion agreed to)

The Deputy Speaker: When shall the bill be read the third time? By leave, now?

Some hon. members: Agreed.

Hon. Martin Cauchon (for the Minister of Finance) moved that the bill be read the third time and passed.

Mr. Tony Valeri (Parliamentary Secretary to Minister of Finance, Lib.): Mr. Speaker, it is with considerable pleasure that I rise to contribute to third reading deliberations on Bill C-65 which proposes to amend the Federal-Provincial Fiscal Arrangements Act.

As hon. members know, the legislation essentially involves two federal programs: the provincial personal income tax revenue guarantee program and the equalization program, each for an additional five years.

The major portion of the bill deals with the equalization program, a program that is really the fiscal cornerstone of Canadian federalism. Hon. members also know and are aware that the commitment to equalization payments is enshrined in the Constitution.

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Payments under equalization go essentially to the heart of what it means to be Canadian. The payments provide provinces that are less well off with the resources they need to deliver reasonably comparable public services, including health care, to the their people without having to tax excessively.

Equalization has been a long tradition. It was established as a program in 1957 and has been continuously renewed and improved ever since.

The government's commitment to equalization is clearly evident in the fact that this program is one of the few to be exempted from the restraint measures that took place some five years ago.

For the next five years it is projected that the payments will be \$5 billion higher, including increased payments due to the technical improvements worth an estimated \$700 million over this same period. Further, last month's budget showed that payments would be even higher this year as well. Current year payments are expected to reach \$10.7 billion and that is up \$2.2 billion from the 1998 budget estimate.

It is clear that these transfers are indeed very significant. In 1998-99 they make up between 14% and 42% of total revenues of the recipient provinces. These payments are unconditional. This means that receiving provinces can use them as they wish. Experience has shown that they play a significant role in improving the quality of a wide array of public services.

Currently seven provinces benefit directly from equalization payments: Newfoundland, Prince Edward Island, Nova Scotia, New Brunswick, Quebec, Manitoba and Saskatchewan. There are also indirect benefits for all Canadians as well. We all benefit from knowing we live in a country where health care, education and basic public services are provided at essentially the same levels in all provinces.

• (1020)

In renewing the equalization program the bill proposes a package of improvements. These improvements aim to ensure the program continues to accurately measure the revenue raising ability of each province. The proposed modifications will be gradually phased in over the next five years so the impacts on provinces are smoothed over. In addition this will give federal and provincial governments time to plan for changes in the amounts of transfers.

What will make this happen? There are three components to the equalization renewal package proposed in the bill. First the equalization legislation renewal for five years provides a secure planning framework for receiving provinces.

Second, equalization ceiling and floor provisions are improved. The ceiling provision provides protection to the federal government against unexpected increases in equalization payments. In other words, this prevents changing economic circumstances from

unaffordably driving equalization payments through the roof. The new ceiling will be set at \$10 billion in 1999-2000 and will grow by the percentage change in gross domestic product thereafter. This change will ensure the program remains affordable and sustainable over the five year renewal period.

The floor provision is the other side of the coin. It provides protection to the provincial governments against unexpected large and sudden decreases in equalization payments. The new floor will be applied equally across all receiving provinces and will reduce fluctuations in floor protection that can result from application of the equalization formula during a period of economic change. What does it mean? It means more predictable protection for provincial governments.

The third change is that improvements will be made in the measurement of the ability of provinces to raise revenues on their own. The equalization formula measures the provincial revenue raising capacity by looking at over 30 different provincial taxes and comparing those results to a standard. It is on the basis of this formula driven exercise, and the formula is applied equally to all provinces, that the size of equalization transfers is calculated for each province.

We all know the taxation environment is not static. It changes and the changes proposed in the bill are needed to ensure that the equalization program reflects existing provincial tax opportunities and practices.

The changes in measurement which will be implemented through regulation relate to five tax bases that require significant improvements and other tax bases that require technical changes because of revised or new data. For example, changes are proposed for the measurement of the ability of provinces to raise sales tax. The new tax base will now reflect the taxing practices of those provinces that have moved to a value added tax, as well as those that have maintained retail sales tax systems.

Similarly, because of increased activity in related games of chance, the treatment of revenues that flow from them needs to be updated. Currently the equalization program only measures provincial ability to raise revenue from lottery ticket sales. The proposed changes will take into consideration the ability of provinces to raise revenue from casinos and video lottery terminals.

In addition a number of resources such as forest products and natural gas will be measured according to value rather than by volume as is currently the case.

It bears repeating that these modifications will happen gradually. The proposed tax base changes would come into effect in stages over the five year period. This renewal caps more than two years of consultation with the provinces. Considerable technical work was performed by both the federal and provincial officials and then that technical work was reviewed by ministers of finance at both the federal and provincial levels.

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It is important to review the equalization program on a regular basis to assess accurately what change is needed. I submit to the House that this has been done. Bill C-65 was introduced in the House at the earliest opportunity. It is important to remember there are a number of other inputs like the Statistics Canada reports which contribute to the final outcome of this review. As is sometimes indicated by members of the opposition, the government did not drag its feet on the bill.

• (1025)

Passage of the bill continues a Canadian tradition of providing and showing that we all care deeply about the well-being of residents of provinces that are less well off than others. The renewal we are considering will provide substantial and reliable support. The legislation intends to see that we maintain the fairness with which the equalization program is delivered.

I cannot stress enough the importance of the legislation. It continues a Canadian tradition of generosity and fairness. I believe all members know this. The agreement, as all members know, expires March 31 and must pass in both the House and the Senate.

I am looking forward to the House expediting the passage of the legislation because I know that it is the kind of legislation all members of parliament can support.

Mr. Monte Solberg (Medicine Hat, Ref.): Mr. Speaker, it is a pleasure to rise on behalf of the official opposition to address Bill C-65.

For the benefit of the people who are watching this debate on television, Bill C-65 is an equalization agreement that will transfer somewhere in the range of \$50 billion to recipient provinces over the next five years. This is a huge expenditure for the government. The Reform Party, the official opposition, believes very strongly that because it is such a huge expenditure it deserves a tremendous amount of scrutiny, all the scrutiny we can bring to it.

The official opposition attempted to actually bring forward some amendments at report stage. Unfortunately there was a mix-up and we were unable to introduce those amendments. Chief among them was an amendment that called for public consultation between the year 2001 and the year 2003 so that the public would be involved in making decisions about the equalization program which have a profound effect on their lives both as recipients and as people who pay taxes to support the program.

We urge the government to seriously consider the recommendation of the official opposition and allow the public to become involved in the decision making process on a program that is a very large expenditure.

The Reform Party criticizes the equalization program on a couple of counts. First, we believe the formula that is used to determine how much money is paid in and how much money goes

out to recipient provinces is simply inaccessible to most people. During the finance committee hearings when Reform members asked finance department officials who in Canada understood how this system worked, the witness representing the finance department looked at his colleagues and said "We do". I think that is really the case.

A \$50 billion expenditure that very few people in Canada really have a handle on lends itself to problems. It lends itself to governments using the formula in ways to manipulate it so that they can get more revenue. We believe that already occurs to some degree.

There needs to be some discussion on ways to make the whole formula more transparent so that we can ensure there is no jiggery-pokery and that everything is on the up and up, something we are not convinced of right now.

The other criticism we level is we are not certain in a country as rich as Canada that we really need to have a system where three provinces support seven. We would argue that it may be time to start looking at ways to change the balance so that it is four or five supporting five or six, depending on how we do it.

Those things need to be debated in the future. We need to find ways to ensure that the public has some input into this issue because it has such a profound impact on people's lives.

This is called the equalization program. As my colleague in government mentioned, it is enshrined in the Constitution. However I do not think it meets most people's definition of what equalization would mean to them. Most people would think of equalization as being equal opportunities. I think that is the way a lot of people would think of equalization if they heard it.

• (1030)

What we need to point out here is that the equalization program provides money for recipient provinces so they can use it to ensure there is better health care in those provinces where they do not have a big tax base and better schooling and that type of thing. That is well and good.

In so many ways this equalization program simply does not meet the standard that a lot of regular folks have which is wanting equal opportunities. They do not just want money going to the provincial governments so they can have better schools. It cannot end there. What people want in Canada is an equal shot. They want an equal opportunity to make a living, make a life, have a job, to raise a family and do the things that people in some of the wealthier provinces maybe take for granted today.

We feel the equalization program simply falls short. It does not go far enough. It is a huge expenditure but it does not go nearly far enough. We are not advocating spending more money. Not at all. In fact the contrary. As members know, the Reform Party advocates keeping the size of government in check. We want a small

government. We want lower taxes and a program of debt repayment.

I argue that if we really want to help people in those recipient provinces, we need to take seriously the discussion that is occurring around the world about how we really do improve productivity. I can assert that it is not through huge government intervention. That is not the way we do it. The way to do it is to keep government in check, to lower taxes and to pay down debt.

The Reform Party argues that a dollar left in the hands of an investor, a taxpayer, a business person, a homemaker is far more productive than a dollar in the hands of a bureaucrat or a politician.

We want to encourage the government to open up the debate and let us have the bigger discussion about what will really help people all across this country in the recipient provinces under equalization but also in the paying provinces.

I want to go a little farther afield if I might in discussing this equalization bill. It occurs to me that there are really two ways we can organize a society. We can, and this is the traditional way, organize a society on the basis of voluntary relationships, voluntary exchange. Around the world for thousands of years that is how it has worked. There have been some big exceptions to that but by and large, given their druthers, people choose to associate with each other on a voluntary basis.

If somebody has some wheat to sell and they want some cloves and someone else has cloves they undergo a voluntary transaction and everybody is better off. That is the way civil society has worked for a long time. Relationships are formed with other people on a voluntary basis. That is called civil society and many groups spring up in that kind of milieu that support and enrich civil society. Families are a part of civil society. We need a larger civil society if we are to create the type of prosperity that I and the official opposition in general believe we need in this country.

Another way of organizing society is by coercion whereby the government tells us how to do things. Sadly there are many episodes in history where governments have taken total control of society and have impelled people to do things they do not want to do but nevertheless had to do because the government had the exclusive monopoly on the use of force in some societies.

I am not suggesting for a moment that our government is like that. I do think our government organizes society in Canada far too much on the principle of coercion. This holds back our ability to create the type of prosperity that Canadians want and also the other types of ideals that Canadians believe in strongly. If we believe in compassion, tolerance, security, then the answer is to increase the size of civil society, voluntary relationships, not to make government bigger and compel people to do things. That is how we create a sense of community and real compassion and real tolerance.

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Ultimately that is how we create the prosperity that gives people security. I think this government is going completely the wrong way.

• (1035)

I want to illustrate what I mean by that and provide some evidence by pointing to the last budget. Over the last several years the government has been in the situation where it has been basically faced with almost bankruptcy. We came very close, I think colleagues in the House would acknowledge, to hitting the debt wall. My friend laughs but I think in 1995 we were pretty close to that. I think there is even some agreement on that on the other side of the House. I believe I have heard colleagues on the other side say exactly that.

In the last several years the government has restrained its spending somewhat. That is laudable even though we believe that it restrained it in completely the wrong areas. It restrained it in areas that were the highest priority to Canadians instead of cutting bureaucracies and cutting the size of the machinery of government. Having said that, it did shrink the size of government somewhat.

Now we see the government, the moment it has some kind of surplus, embarking again on expanding the size of government. Bureaucracies are starting to get bigger again. We are seeing the government expend money on things that simply are not priorities for Canadians.

I do not think if my friends across the way were pushed on this could argue that some of the new expenditures are priorities. I think they would have to agree. My friend says name one. I would be happy to do that. I think it is a waste of money in a time when people are really hurting to start spending money on television production funds. I think that is a good example of how the government is spending money in a wasteful way.

As it increases the size of government, and remember it was supposed to spend \$104.5 billion this year, according to its numbers the government is already \$7.6 billion over budget. The government has gone away over budget. If the head of a corporation went that far over budget of course they would be fired for doing that.

This government did that. In doing that, not only does it start spending away the surplus and people's tax relief, the money they so desperately need right now, it also gets its fingers into all aspects of people's lives where it simply does not belong.

Again, we have the government coming into people's lives saying you will do things this way and if you do not, you will not get the reward. I want to give my friend across the way an example. Probably the best example is what is going on in the House these

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days with respect to family taxation. The government has decreed and actually made it worse in this last budget that if a person chooses to send their children to professional day care, they will get a tax break for that. That is fine. That is laudable. What the government refuses to do is give all Canadians a tax break irrespective of how they look after the children.

The government uses coercion. It says the only way you can keep your money is to do it our way. The only way of doing it is to send your children to institutional day care. If you choose to look after your children yourself, we do not recognize that. We do not see that as being valuable. That is essentially what the government is saying.

We argue that is completely the wrong way to organize society. Let Canadians have those choices. Canadian taxpayers do extraordinarily complicated and sophisticated things every day. They run their households, they run their businesses, they raise their families. Let them have the choice.

Hon. members across the way are clapping. I am thrilled to see that. I see we are getting some support from government members for our message. It is about time that they are waking up to that. We will give them the chance to actually put their money where their mouth is tonight when the whole issue of family taxation comes to a vote in the House of Commons. We certainly hope they will stand up for families, for single income families, all families struggling so much today with the high tax burdens we face in Canada.

I want to continue down the track I started on where we were talking about how this government uses coercion so often to get people to do things that it thinks are right but which ordinary Canadians do not necessarily agree with.

• (1040)

My friend says regulation. It is not regulation. Let me give my friend an example. In western Canada today if people grow wheat they have to sell their wheat to the Canadian Wheat Board. They do not have a choice. I think my friend across the way would acknowledge that. My friend in the NDP thinks that is a good thing. My friends on the other side of the House do not understand that farmers do very complicated and sophisticated things every day. They market all kinds of other commodities. They simply want the choice. They do not need that nanny state telling them what they have to do.

Let me give members another example. I am a broadcaster by trade. I used to run a radio station. If someone wants a license to run a radio station in Canada today they have to agree to a certain things. They used to have to play 30% Canadian music. That is now going up and up. A listener's choice is to either turn the radio off or pick up a signal from somewhere else, maybe over the Internet or from a radio station south of the border. That is absolutely ridiculous. Let people make those decisions themselves.

Yesterday we saw Alice Munro, a great Canadian writer, who received an award in New York, recognized as a great writer. She did not regulation to be recognized as a great writer. My friends in the NDP and the Liberals seem to think that is necessary to help Canadians along. I argue that very often what happens is that these regulations hold people back.

If we want to talk about recording artists, there are many Canadian artists who have gone south of the border. They have completely forgone spending any time in Canada. They have gone to the U.S. and made huge careers down there. They obviously saw the opportunity there. They did not need the 30% content regulations.

Terri Clark comes from my riding of Medicine Hat. We are very proud of her. She has become a huge superstar in country music. Shania Twain is another example. These people went directly to where the music industry was and became huge superstars. They are Canadian and I am very proud of them. They did not need the nanny state to baby them along. They do not need that because they have talent. Every time this government gets a chance to impose more restrictions on people and to coerce people it does it.

Look at Bill C-55. This is a good example. If an advertiser in Canada wants to advertise in *Sports Illustrated* they cannot do it unless they go to the United States and buy an ad that they will have to pay for to go all around the world. If they are advertising from my home town of Brooks, Alberta they probably cannot use all those people around the world. They probably do not need to reach them. The government has said that under Bill C-55 the only way they can advertise in *Sports Illustrated* is by buying that huge circulation which they can never use. Essentially it is telling people again how to run their lives. I think people get a little sick of this. They are grown up. They know how to run their lives.

We are saying get government out of their face. Let us shrink the size of political society, the coercive state, and enlarge the size of civil society where people exchange goods on a voluntary basis, where they form relationships on a voluntary basis, where they are allowed to be free to do what they want as long as they do not harm one another. I think that is the way most people would like to see society run. Sadly at every opportunity this government expands the reach of government. It is completely wrong.

It is fine to talk about what the government does wrong. As the official opposition we have a duty and obligation to say how we would do it, how we would ensure prosperity for people across the country.

• (1045)

I guess we should be addressing the equalization issue because that is the bill we are debating. Let me first talk about how we can improve things for the provinces that currently receive equalization

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payments, for the people who pay into equalization through their taxes and for the three provinces that kick in.

I should point out that many of the people in those provinces which pay are themselves not well off, but they have to pay taxes for equalization.

An hon. member: Do you support equalization?

Mr. Monte Solberg: My friend asks if we support equalization. I made it clear that we do support equalization. However, that does not mean we would not find ways to improve it or even shrink its scope so that it is not three provinces supporting seven, but maybe five supporting five or something like that. Nevertheless, we support it in principle.

Let me go a little farther down the road that I started on. We want to come up with a way that goes beyond equalization that would help all Canadians. We believe the way to do that is to keep government small in a large civil society and in doing that produce the type of prosperity that will leave everybody better off.

We should give Canadians the real security they want. The way to do that is to hold the line on spending, not increase it and go over budget by almost \$8 billion like this government did this year and last and which it will again do next year. It has already upped the amount it wants to spend for next year. We think that is completely the wrong approach, especially at a time when the world is so volatile.

We say that we should hold the line on spending. We should reallocate resources from low priority areas like a television production fund or some of the grants that go to big business. We actually have a WTO ruling against Canada because of some of the grants that have been going to big business.

We should take some of the money the government uses to intervene in the economy and give it back to people in the form of more money for health care, as well as an investment in defence because the department of defence has been basically emasculated by this government. There have been examples in the newspapers lately of how the Canadian military has really paid the price for Liberal neglect over the last many years.

We also believe it is time to begin finding ways to reinvest in our justice system. We have a situation now in British Columbia where the RCMP is really in a desperate situation. We need to reallocate money from all of the areas that I have alluded to so that we can have more money for high priority areas.

The second step is to begin using some of the surpluses that are going to be a lot bigger now that we are holding the line on spending, somewhere in the range of \$43 billion to \$45 billion at the end of three years.

Just so my friends across the way know, many economists around the country have pointed to that sort of approach as the best way to ensure that the Canadian economy is better off. I point to recent studies that come from the C. D. Howe Institute which suggest that massive tax relief is in line for what ails the Canadian economy these days. We agree with that. We think it is the right approach.

We are going to run big surpluses over the next three years if we hold the line on spending. There are two things we think need to happen with those surpluses. First we need big time tax relief. The Reform Party is arguing for \$26 billion in tax relief over the next three years. That will mean that many of those single income families that we are talking about will be much better off. In fact a single income family of four earning \$30,000 a year would receive \$4,600 in tax relief under that plan. It would mean a lot of money in their pockets and really would contribute to giving them the type of security they need.

If people are in recipient provinces like Newfoundland, New Brunswick or even Manitoba, under that plan they would receive much more money in their pockets instead of having all the efforts of the government going to just giving money to another level of government. This money would go directly into the pockets of people who are scraping to get by these days, who really need the help. They have paid the price for successive Liberal and Tory governments that have raised taxes incessantly over the last 15 or 20 years. Now it is time for some real tax relief.

• (1050)

I know my friends across the way will say that they gave them some tax relief in the last budget. But by the time we figure in the increases in CPP premiums and the fact that the government has not bothered to do anything about the deindexation of the tax system, Canadians will actually be \$2.2 billion worse off over the next three years. Canadians end up a lot worse off even after the government's tax proposal.

We say let us change all of that. Let us leave Canadians \$26 billion better off. We have enumerated a number of ways we would do that. We would raise the basic personal exemption to \$7,900. The married exemption would be raised to \$7,900 so we would not have the discrimination that we have now against single income families.

We would change the child care tax deduction to a credit that would be extended to all families, irrespective of how they look after their children. That would ensure that some of the feeling which a lot of single income families have, where they feel the government does not value their parenting, would disappear.

An hon. member: That's not true.

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Mr. Monte Solberg: My friend across the way on the Liberal side said it is not true, but I am simply saying that is how people feel. My friend may say that he does value parenting and that is fine, but actions speak a lot louder than words. As my friend knows because he is a parliamentary secretary for finance, we have had people come before the Department of Finance for years to say that it is time to end discrimination against single income families in the tax code. We agree. It is time to do that.

It cannot end there. We have to lower the tax burden on two income families because they pay way too much in taxes. Our proposals would do that because, again, we want to lift the exemptions. We want to eliminate the 3% and the 5% surtaxes. The government has started on the 3%. We want to completely eliminate those and we also want to start to lower the marginal rates. In fact we would eliminate the top marginal rate of 29% and take the 26% rate and start to lower it as well so that ultimately everybody would be better off. We want to end the deindexation of the tax system which takes \$1.1 billion a year in a secret tax increase from people's pockets. That would end under this plan.

We have offered a whole bunch of ways that, through the personal income tax system, we would leave people better off. But we would also take the money that is currently paid into the EI fund, the huge overcommitment that employers and employees make every year, which is about \$7 billion, and give it back to folks because it is their money in the first place. We think it belongs to them. That is the other area where we would help people.

Finally, we would cut the capital gains inclusion rate in half because we believe that we need to give an incentive to investors in Canada. So often today in Canada people buy, for instance, a revenue property. When they do that they are essentially ensuring that there are rentals around the country for people on lower incomes. Right now there just are not enough rentals, so we need to give people incentives to do that. But what happens is, if their property only keeps up with inflation in terms of the amount of money they get back from it in the form of a capital gain, for instance if they make a \$1,000 on a property and it is all inflation, they still have to pay a capital gain on it. We say that is wrong.

If we want to help people in Atlantic Canada who get equalization today, the real way to help them is to ensure that their tax burden goes down. Our proposals would leave about \$1.5 billion a year in the pockets of people in Atlantic Canada alone. That would really help folks a lot.

We encourage the government to consider that the debate is much broader than equalization. If we really want to help people we think it is important that the government find other ways of doing it.

The good news does not end there. In this plan we would also start to pay down the debt. There would be \$17 billion in debt repayment over the next three years. We point out that this is a complete departure from the government approach. The government approach is to ad hoc it. The government's own budget

documents show the debt being static at \$579 billion over the next three years. It says that if it has any money left over, if it does not blow the contingency reserve fund, it will use that to pay down a bit of the debt.

• (1055)

I think Canadians really want to pay down the debt in a serious way. They understand in their own lives that having a lot of debt threatens their ability to fund their household. In Canada today we have debt payments of \$40 billion a year. The single biggest cheque the finance minister writes every year is for interest on the debt. We argue that to help folks we should not make them pay so much every year out of their tax dollars to go simply toward servicing the debt. If we start to pay down that debt people will have more money in their pockets and they can make decisions about their lives.

Our program would pay down \$17 billion over the next three years. We also have a longer program that would see \$240 billion paid down over the next 20 years. We believe the debt issue is that serious that we need to pay it down in that manner.

Equalization is a program that is necessary in Canada. We wish we did not need it, but unfortunately it is necessary. It is also in the Constitution. We think it could be changed quite a bit to make it a better program, but the debate really cannot end there. If we really want to help people there is a much better way of doing it than simply throwing money at it through equalization.

The best possible way to help people is to leave more money in their pockets. Let them make decisions about their own lives. I guarantee that if we allow that to happen they will make far better decisions than the government. Who knows better what is best for their families? Is it the finance minister, the heritage minister or the prime minister? I do not think so. I think it is individual Canadians. They understand better what is important to their families. So leave the money with them.

In that we see the complete departure of the Reform Party from other parties in this place. We believe that money belongs to the people who have earned it in the first place, and it should stay there.

Mr. Nelson Riis (Kamloops, Thompson and Highland Valleys, NDP): Mr. Speaker, I may not seem enthusiastic, but I am enthusiastic. Under this exterior of certain calmness and seriousness I am very excited about the possibility of speaking to Bill C-65 which concerns equalization payments in Canada.

This defines what is best about being a Canadian. It defines what is best about being a country like ours. I liken it to a family. A well-functioning family, as opposed to a dysfunctional family, is a family that cares for all of its members. If one of the family

members is having a difficult time the family rallies around and does whatever is necessary to help. When another member is having a difficult time or runs into some difficulties or problems, the whole extended family rallies around.

That is what distinguishes effective families from those which are less effective. It distinguishes an outstanding family from those we call dysfunctional. Today's discussion reminds me of one of those very functional families, the best of families, a family that cares about all of its members in a real and demonstrable way. Of course in our society that is normally in a financial way.

This bill really says that those provinces which are doing very well for whatever reason, be it location, an abundance of natural resources or whatever the advantage, are seriously prepared to assist those having difficulties or those that are less fortunately endowed in terms of natural resources, location, financial resources or whatever.

What does that tell us about our country? I suspect it is the kind of characteristic that attracts people from all over the world who want to live here. They know no matter where they live in Canada, whether it is in Atlantic Canada, the north, south, east, west, central, wherever, that being a Canadian citizen means relatively the same thing. They would have access to the same kinds of services. They would have access to relatively the same kinds of opportunities, whether it is university or college training in Cape Breton, Nova Scotia or Victoria, British Columbia.

• (1100)

Access would be relatively the same. One of the ways we accomplish that is through programs like equalization. Clearly, when it comes to the vote on this bill, the New Democratic Party caucus members in the House of Commons will be voting enthusiastically in favour of the legislation.

As a matter of fact, the very concept we are talking about today, equalization payments in Canada, is part of our Constitution. It is written right into the Constitution. It is what Canada is all about. The Constitution says reasonable and comparable services no matter where they live. What a glorious phrase. What a glorious statement to hold up to describe what being a Canadian is all about.

An hon. member: It is heartwarming.

Mr. Nelson Riis: My friend next door says it is heartwarming and indeed it is.

Equalization is a fundamental principle that is very much part of what makes Canada a compassionate and caring society. Surely that is one of the crucial measurements of a country.

I listened with interest, as I always do, to my friend who spoke earlier. He made the case that less government is a better country. I

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thought about countries around the world where there is very little government. Normally they are not very pleasant places to live. As a matter of fact, countries that have very little government, that have downsized their government, are brutal places to live. Often it reflects a society that is uncaring particularly of those less fortunate.

Obviously we seek to find a balance. When I think about equalization enabling us to be a compassionate and caring society, what better society could we be part of than one that is actually compassionate and caring for all its citizens? One of the reasons we are all proud to be Canadian is that Canada is that kind of country.

This is not to suggest that this bill is perfect, not by a long shot. There are many ways that we can improve Bill C-65 and improve the whole issue of equalization.

What demonstrates this is that most in the House of Commons have tried to figure out what this bill actually does. We have tried to look at the formula used for equalization. I am not a brilliant person. I am probably not even that smart but I am not a stupid person. Quite frankly, I cannot figure out how this thing works. I have asked many others how this equalization formula actually works. I have not found anybody who could explain it to me in a way that I could understand.

There must be somebody somewhere who understands it. When the question was put in committee, it was fascinating. The question was put to the experts from finance. How many people actually understand the equalization formula used between the federal government and provincial governments? The answer was perhaps five people in Canada.

I do not know who those five people are but there are probably five people in Canada who actually understand how this bill works. That is one of the real downsides of this because we are being asked to approve a formula. We are being asked to approve legislation, approve a concept that nobody fully understands. That is not what this place is all about.

It is imperative that members of parliament understand how the equalization formula is applied so that we can judge it. Is it the appropriate formula? Are there more appropriate ways to decide who gets what in terms of where they happen to live in Canada, what province gets an equalization payment and which province would pay one.

If there is one major flaw, it is that it has become so complicated, convoluted and complex that no one really understands how the system works today. We assume it works well. We know that all the provincial finance ministers and officials met regularly for five years to try to figure this thing out. They have come up with some kind of plan which they say on balance is effective and the best deal they can come to.

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To be fair, the province of Manitoba has some concerns about this formula which now involves 33 different criteria. When it first started a few years ago, there were only three criteria. The three criteria were personal taxes, corporate income taxes and succession duties. That was it. That was fairly easy to figure out. Everyone could say that the provinces that are getting a certain amount based on this formula makes sense and the ones which are not getting anything also makes sense because they are doing relatively well.

• (1105)

Now there are 33 separate revenue sources ranging from income taxes to insurance premiums, from property taxes to payroll taxes, from sales taxes to sin taxes. It goes on and on. Experts from the provincial finance departments and experts from the federal system get together on a regular basis and fine tune it so that everyone can agree.

Manitoba, as I said, has some disagreements but it will have a chance to sit down soon and start to renegotiate from its perspective a fairer system. Everyone says that is fair enough and they will proceed with this understanding. While Manitoba is not delighted about this, it understands that in the end it will be okay as well.

I might mention that because of the flooding situation Manitoba experienced, the collection of income taxes was disrupted. Consequently the formula that was used to determine this year's transfer to Manitoba was based on erroneous information that could not be avoided. With any luck this will be readjusted later this year so that Manitobans will get a fair deal in the end as well. That is my understanding. From what I can gather, everyone has enough faith in the system to say that will actually take place, including the people from Manitoba.

Before I get into some of the more substantive comments about the legislation, there have been some changes in criteria. There have been many changes but I am going to identify two or three of them.

One is the recognition that a good revenue source for a lot of provinces is gaming. It seems that video terminals, VLTs, and casinos are turning up on almost on every street corner. For some provinces they are a major source of revenue. For others they are not a major revenue source yet. For British Columbia it is not a major revenue source yet, but apparently it is taking steps to expand its casino base, as those who have read the newspapers recently are probably aware. Other provinces are as well. Since gaming is a significant revenue collector, it has now been factored in as a new criterion to be considered.

On the fine tuning, as a member of parliament from British Columbia, I appreciate this one perhaps more than people from other parts of Canada who are not so closely attuned to the timber base. In the past the criteria has been based on the volume of

timber. We realize that volume of timber is not necessarily an accurate reflection of the revenues collected from timber sales.

Some timber is a poorer quality than other timber. Others are a higher quality. It is going to be based on the value of timber products. If a province is collecting a certain amount of money in terms of value obviously makes a lot more sense than a province which is collecting less or more but the volume is quite different. Value as opposed to volume when it comes to things like timber makes sense.

Let us look at some of the purposes of this program. The program of equalization is an effort to reduce disparities among the provinces' revenue raising abilities or fiscal capabilities. The equalization payments compensate provinces for the differentials in their tax bases. That is straightforward.

The program allows for the less prosperous provinces to provide public services of a quality and at taxation levels comparable to those in other provinces. Again, to come back to the idea of being a Canadian citizen in this part of Canada or that part of Canada, it ought to mean about the same thing. That is the reasoning behind the program.

This bill represents a completion of negotiations that for the most part have been about what constitutes this tax base. The legislation represents over two years of discussions with federal officials and various levels of provincial people, including all provincial finance ministers.

Herein lies a rather annoying element. It is not a major criticism; it is an annoying point that I have to raise, which is that we have been rushing this through the system. One of the reasons this has become an issue today in terms of how long the debate should be, it that it has to pass before the end of this month. We knew that five years ago. We knew it three years ago, four years ago, one year ago. Negotiations have been for the last two years and have taken a little longer than expected. We are up against the wall.

• (1110)

The government is pushing us saying that this bill has to pass. It should have had more serious consideration, but this goofy time system made it problematic for us. In my judgment, we are rushing this and we ought not to be rushing it. It is too important. Perhaps what we can do the next time around is try to get at this issue earlier than at the eleventh hour.

The equalization transfers are calculated according to a formula set out in the Federal-Provincial Fiscal Arrangements Act. Therein lies another area which requires some consideration as part of an ongoing examination of this process.

Because of the various tax bases that determine the bottom line for the provinces, there is ongoing discussion and debate on the makeup of these tax bases. As I indicated, Manitoba is not a happy camper at this point, but it accepted this and assumed that things

will be sorted out shortly. Not just assume, Manitoba knows things will get sorted out shortly.

Members have probably looked at the figures that have come out from the finance department which project, as best as people are able to project, over the next number of years how each province is going to be treated. In my recollection I think every province that collects money now from the equalization program will see their collections expand over this period of time. But the reality is if a province becomes hotter in terms of its economic base and things turn out better than expected, those numbers will be adjusted downward.

It is a funny thing. There is a lot of history attached to these programs. I am an amateur historian by interest and I was looking over the Saskatchewan equalization payments. Lo and behold there was a history story. I noticed that in the past the province of Saskatchewan sometimes never received any equalization payments. My friend across the way will know this as well. Some years Saskatchewan received some, some years it did not. Some years it received a lot. This seemed odd because other provinces seemed consistently to be either have or have not.

I wondered why there was a pattern and Saskatchewan got equalization payments some years and other years did not. Lo and behold there was a direct correlation. The years when Saskatchewan worked its way out of needing an equalization payment, guess what political party was in office? The New Democratic Party.

The New Democrats balanced the books, heated up the economy, got things moving well and then for whatever reason, they were kicked out of office. Then Liberals were elected or Conservatives were elected or Reform, I guess we could use that generally as well and they got the province into trouble. The books got out of whack and the economy went into a nosedive and Saskatchewan required equalization payments again. People got fed up with that, tossed them out of office and brought in the NDP again. Everything gets back in order and the equalization payments evaporate.

It is interesting when we see political history as reflected in the economy and reflected now in the history of the equalization payment program for Canada.

Let me talk about some of the purposes behind this program. I mentioned the fact that only five people know what this is all about, which I think tells us a great deal.

An hon. member: Six now.

Mr. Nelson Riis: Six, after my presentation. That is very encouraging.

The equalization program dates back to 1957 when only three sources of revenue were identified. I mentioned them earlier: personal and corporate income taxes and successive duties. The

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revenue base is expanded now to 33 and I mentioned what some of those tax areas are. There is a list in the legislation and it is a bit of a shock to read all of the different tax bases that exist in the provincial jurisdiction. I recognize only a few of them.

In the 1982 budget I remember Allan MacEachen introducing a change to the system where the national standard of 10 provinces was replaced with a five province standard. At that time the situation in all 10 provinces was considered. Mr. MacEachen then changed it to only a five province standard. It was felt that Alberta on top with its oil revenues and the Atlantic provinces on the bottom skewed the national standard so much that the five in between provinces of Quebec, Ontario, Manitoba, Saskatchewan and B.C. replaced this national standard. It was done.

• (1115)

However, after all is said and done there can be no disputing that it is all about the bottom line situation and that is how much each individual provinces gets under the operating formula.

This implies that along with the very basic financial need there have always been some very serious political considerations applied in reaching agreement on these transfer payments.

We remember with interest how when the information came to the province of Newfoundland about the change in equalization payments and that this was to bump up the payments to Newfoundland all of a sudden, bingo, Brian Tobin had a balanced budget. That was helpful presumably in the days just before the election in Newfoundland.

Politics does play a role because there has to be agreement with the provincial jurisdictions and I guess whenever agreement is sought politics is certainly an element of consideration at least.

I mentioned already the timing of this situation. To suggest a few weeks of consideration at the tail end of the process for parliament is simply inadequate. I propose that rather than look at this every five years we should look at this annually. This should go to the finance committee on an annual basis with a thorough briefing so that it is parliament that plays a meaningful role in this equalization process as opposed to simply bureaucrats from the federal and provincial governments involved.

It is fair to say without being overly critical of the political element that we really have not had an opportunity to deal with this adequately and effectively to ensure that what we are agreeing to here today is in the best interest of the country. We assume it is because of what people tell us but I do not think we have an adequate grasp to make that decision comfortably ourselves.

It would be better to communicate these changes on an annual basis rather than at the end of the five year cyclical renewal period. I agree with the points made in the 1997 auditor general's report on equalization. It made a number of recommendations that encour-

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aged an improved a more important role for parliament in the renewal process.

For example, in his report to parliament he made the point that a very clear statement of the objectives of the program ought to be made so that it would be perfectly clear in everybody's mind what is behind all this. Someone may say it appears perfectly clear. We have just gone through a federal budget where there were a number of changes to the transfers to provinces, another form, I suppose, of equalization. We appreciate now that the government is moving to a per capita system with those transfers for health, education and social services. This will change things. I am not even certain people know that has happened, that it is moving toward a per capita basis.

With the changes to the transfers from the federal government to the provinces combined now with the equalization program, what does it mean in terms of the provinces? This gets more complicated and it seems to me we need to look very carefully at what the objectives of this program now are in light of the changes being made to the federal transfers to the provinces and perhaps, more important, to have a clear understanding of what the expectations of these transfers are.

I listened with alarm to my friend from the Reform Party when he made his presentation in terms of how he sees the world and how he see what Canada ought to be. I respect his view but it is totally different from mine. I wonder if it is clear what we expect from these equalization payments in terms of how they are spent. Let us face it, when the money goes to the provinces it is just handed over. There are no strings attached. It is done in good faith, here is the money and you folks deal with it as you wish or deem appropriate.

Such an important program is trying to create a level playing field for all citizens in Canada. I hate to use that term because it conjures up the wrong things. We ought to make that very clear, that we have some expectations in terms of what the moneys from these equalization payments ought to be attached to and then have a very clear, acceptable and understandable way of reporting the results from these expectations.

We could apply this to most federal programs in the system where there is little clarity in what we expect from this program and certainly very little reporting on how we reach that expectation. A best example of that would be the tax system. We have had a lot of tax discussion in the House during the last little while and I do not want to get into it at this point. It would be inappropriate.

What is curious to think about is if we took every significant tax expenditure program and applied to that a cost benefit analysis to the country of who benefits, how much, what is the point of this, what is the goal and how effective is this in reaching that goal. I wonder how many of those tax expenditures, or as the Minister of Finance even now calls them, tax loopholes, would continue in the system. My guess would be very few. I suppose they had laudable

goals at one point but there was never any measurement put into the system and I suspect most of them have long outlived their usefulness. However, that is a little beside the point.

● (1120)

The resource revenues that are now part of the new formula will reflect the value rather than volume in resources, including timber, which I mentioned earlier, as well as gas and oil receipts.

The recipient provinces such as New Brunswick and Quebec are satisfied with this formula for calculating forestry revenues because the old formula overestimated provincial fiscal capacities.

On the whole issue of oil revenues, there has been another change to acknowledge that new oil is more expensive to extract than old oil. This now also is being reflected in this new formula so that those parts of Canada now that are relying on revenues from a new oil source as opposed to an old oil source will have much higher levels of expense. That reality will be reflected now in these new categories as well.

I mentioned gaming already. The one thing we overlooked in this gaming business, acknowledging that revenues from gaming will be an important part of any province's revenue base, is the cost associated with gaming. Let us face it, when a whole lot of people are gambling in one province, a lot more than in another province where the facilities are less accessible, there will probably be a lot of people having troubles. I am referring to gambling addicts and that sort of thing where there are a lot of costs attached to provincial jurisdictions as a result of dealing with gambling addicts and losses attached to that sort of thing. That is something we want to look at in the future in terms of fine tuning this process of the complicated base.

Once again, recognizing that there are floors and ceilings in this to help out and there are seven provinces eligible for equalization payments, not British Columbia, Alberta and Ontario, the equalization transfers for this year ensure that all provinces with average tax rates have revenues of \$5,431 per person in order to fund public services. Most provinces are very supportive but Manitoba has some concerns. I will leave it at that and I look forward to the vote later today.

Mr. Scott Brison (Kings—Hants, PC): Mr. Speaker, it is with pleasure that I rise today to speak to the equalization issue and to Bill C-65.

Equalization is a cornerstone of Canadian social policy. I believe most members of the House recognize that the free market system is a viable and important system for all Canadians to improve their qualities of life individually and collectively. The free market system will work only if all Canadians have access to the levers of a free market system and have approximate equality of opportunity

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across this country, regardless of where they live, and that is what equalization is all about. The concept of providing effectively level taxation or similar taxation and similar levels of services across this country is a cornerstone of Canadian social policy.

As a reflection of this importance, equalization is the only transfer program that is actually enshrined in the Constitution act. The goal of equalization, of providing equality of opportunity across Canada, is extraordinarily important. We should also recognize that a goal of equalization should be to provide a ladder for provinces and individuals in those province, those recipient provinces, to rise from their status as recipient to the point that they can participate in the free market economy fully. The equalization system should under no circumstance provide barriers to success, roadblocks to success for individuals and provinces as they try to bootstrap themselves into a more prosperous economy.

● (1125)

One of my concerns about Bill C-65 and the equalization formula is that there are direct disincentives for recipient provinces to improve their economies. For instance, in provinces like Nova Scotia and Newfoundland, which have the potential and will be enjoying increased resource revenues, those resource revenues will come off equalization.

The government has addressed the issue partially by phasing in these clawbacks in equalization over a five year period, but five years is a very short period of time in terms of the development of economies. It took more than five years for the economies in Atlantic Canada, for instance, to develop negative spirals downward.

It will take more than five years for Atlantic Canadian economies to participate fully in the Canadian economy and to achieve the level of prosperity that other regions of the country take for granted. Yet the government has only partially addressed the issue of disincentives.

The government needs to encourage provinces to pursue economic activities that will bootstrap individual provinces into prosperity. Instead there are roadblocks to success.

This situation and how equalization provides these disincentives is somewhat analogous to the issue of single parents in any province who are on social assistance and who have an opportunity to work and succeed but see a direct financial disincentive to participating in or pursuing activities and taking a job because the government puts in place a direct disincentive through the tax system for them to do that.

In a perverse way our equalization system, as it is formulated now, can actually create and encourage a continued reliance and a continued roadblock to success for these provinces. That is perhaps the most fundamentally important issue in equalization which has not been addressed and needs to be.

Mr. Speaker, I am sharing my time with the hon. member for Richmond—Athabasca. I should have mentioned that at the beginning.

Another important criticism of the equalization program made by the C. D. Howe Institute has some merit. The C. D. Howe Institute has argued that poor citizens of rich provinces sometimes transfer money to rich citizens in poorer provinces. An example of this is an east Vancouver family living in poverty may end up paying money that will ultimately benefit an affluent Westmount family. That is one small nuance but one detail that has been ignored by the government in terms of the revision to equalization through Bill C-65.

The fact that equalization is based on, to a certain extent, the assessment of a province's capacity to produce in terms of revenues from the final product reduces the incentives for provinces to produce value added products. To actually add value and develop a better secondary manufacturing system within the provinces is reduced by equalization. Provinces are encouraged to sell raw resources in many cases as opposed to trying to add value in their province and create jobs and employment.

This is perverse. It is one way that the federal government, through a lack of leadership and vision, continues to promote policies that are flawed and are not providing the best possible opportunities for Canadians.

One area in which I have significant concern is population as a basis for cost of services. Equalization distributes the funds to the provinces on a per capita basis. For a province like Newfoundland, which has seen a significant exodus of people over the past several years and it is predicted to continue for the foreseeable future, it is grossly unfair and inconsistent with the principles of equalization.

The actual fixed costs of providing services such as health care and education in a province, even when the population decreases, remain fairly consistent for a long period of time because of the fixed nature of those costs.

● (1130)

We would like to see in an equalization formula some accounting for the actual cost of delivery of services. Both Germany and Australia take into account the actual cost of delivery of services. Some of the socioeconomic factors, some of the demographic factors and the rural-urban make-up are issues that should be considered in equalization, not purely population as is proposed here.

One of the biggest flaws in the whole equalization argument has been around the issue of transparency. The fact that the government in recent weeks has engaged in a meaningful effort to dialogue and debate on equalization and on this fundamental issue, a program

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that costs \$9 billion per year, is indicative of the government's continued knee-jerk, crisis management reactionary style of government. There is no vision. We may have a budget surplus but there continues to be a leadership deficit.

We are concerned by the fact that the government, instead of debating the issue and discussing the issue over the past five year and trying to come up with a equalization plan that provides all regions of the country with opportunities to succeed, continues with the same old, tired policies that we need to revisit. If we are ingenuous about giving opportunities to recipient provinces and if we are ingenuous about eliminating barriers to success, it will take more than a few hours of debate in the House of Commons and some witnesses appearing before the House of Commons finance committee.

The issue of gambling revenues is another important one. Bill C-65 will take into account gambling revenues in the provinces. The fact is that many of the social costs of gambling are provincially borne costs, whether in health care or in social program spending. This could have a very negative impact on provinces that currently benefit from gambling revenues.

We need a new visionary approach to equalization, a new equalization program that provides a ladder to success and not barriers to success as this one does. We believe in equalization. Our party believes that an equalization program is necessary and that we should continue to protect and encourage equalization as a tenet of Canadian social policy. We can make it better as parliamentarians. In that light I would move:

That the motion be amended by deleting all the words after "that" and substituting therefor:

Bill C-65, an act to amend the Federal-Provincial Fiscal Arrangements Act, be not now read a third time but be referred back to a committee of the whole House for the purpose of considering amendments to clause 2 to alter the equalization formula to fairly take into account the varying costs of program delivery in different provinces because of differing demographics, geography and urban-rural variations in addition to population; and to clause 2(2), which would eliminate the current disincentives for recipient provinces to improve their finances through innovative economic policies.

• (1135)

The Acting Speaker (Mr. McClelland): The amendment is in order. Debate is on the amendment. We will have questions and comments before we move to debate.

Mr. Ken Epp (Elk Island, Ref.): Mr. Speaker, I heard part of the member's speech while I was in my office. I missed some while en route and heard the end of it while I was here. There may be some gaps and perhaps he has addressed this point.

I have a very simple question. The Conservatives were in power for nine years. During that time there were, as with this government, no substantial changes made to the equalization program.

There was no concerted effort to fix up the problems in it and to try to make it a true equalization payment system instead of what it has become. I wonder whether this represents a new thrust on the part of the PC Party or whether it just wants to gloss over the errors of the past. I am asking a sort of rhetorical question.

I am really intrigued with the idea that the Tories now want to basically scuttle the bill in order to send it back to committee, which would mean it probably would not meet the deadline for continuing the payments to the provinces. Is he actually interested in scuttling it or in revamping it? What exactly is his purpose?

Mr. Scott Brison: Mr. Speaker, I appreciate the question of the hon. member for Elk Island. He is quite right that the Conservatives should have been in government a lot longer to pursue these types of important policies.

I am sure if he had longer to ask his question he probably would have pointed out that the Progressive Conservatives were very busy making structural changes in the Canadian economy including free trade, the elimination of the manufacturers sales tax, deregulation of financial services, transportation and energy, those policies that ultimately enabled the government opposite to eliminate the deficit.

I appreciate the hon. member's intervention. I would hope, perhaps with his support and the support of members sitting with his party, that we could return to the days when we had an extraordinarily active public policy government that actually developed visionary changes necessary for Canadians. Right now it is not happening.

I am sure if the member had longer to ask his question he would have pointed out the fact that there has not been a single visionary policy from the Liberals since 1993. It has been a status quo, caretakership government without vision.

I am sure if he had longer to ask his question he would have pointed out the fact that the former Progressive Conservative government was busy making important structural changes and if it would have had just a little more time it would have probably pursued the necessary fundamental changes we are discussing as the Progressive Conservative Party of 1999.

Mr. Lee Morrison (Cypress Hills—Grasslands, Ref.): Mr. Speaker, would the hon. member care to elaborate further on the Conservative economic policies which he is lauding and which I believe led to a doubling of the national debt and an increase in the annual deficit to something in the order of \$42 billion a year? It brought in the wonderful GST which we all love so much! Was this visionary? I would like to hear more about this because it gives me a thrill to hear about these so-called wonderful policies that wrecked the Dominion of Canada.

• (1140)

Mr. Scott Brison: Mr. Speaker, perhaps it is a generation gap but the hon. member prefers to focus on the past and I prefer to focus on the future.

The fact is that in 1984, if the hon. member checks his facts, the Conservative government inherited a \$38 billion deficit in 1984 dollars. It was a far higher deficit than what the Conservatives left in 1993 at \$38 billion. In fact as a percentage of GDP that deficit was almost half, from 9% of GDP to about 5%. Government program spending was reduced from where it was growing by 15% per year to zero program spending growth by the Conservatives that recognized the importance of debt and deficits.

In 1988 the hon. member's party started attacking these policies by dividing the right in Canada. It ran a candidate—I think this gentleman is now the leader of the party he decided to wind down—against the current leader of our party on the free trade debate and split the right on the fundamental issue of free trade.

It is very sad that members of his party not only choose to focus on the past instead of the future, but even when it does so it does not have its facts straight.

[*Translation*]

Mr. André Bachand (Richmond—Arthabaska, PC): Mr. Speaker, it is nice to see the Progressive Conservative Party knows how the House operates. We have introduced motions here to try to improve Bill C-65, while the Reform Party has been saying this morning that they would have liked to but did not know quite how, they did not have the time and they sort of got sidetracked in the procedure.

We manage to do it and it makes for a good debate so that people understand what C-65 is really all about. So we are proud to do it.

What must be remembered in the motion we put forward is that we are attempting to improve Bill C-65 quickly. A Reform member was saying that it might be too late, but we were talking about the committee of the whole House, not a committee outside this chamber. It is the committee of the whole where we can assure all the provinces, including Newfoundland, Nova Scotia and Quebec that—in the last part of the motion, it is mentioned—should there be some extra money, they will not be penalized by the equalization payments immediately, but they will be able to spread it out.

That is what we talked about in committee. There was a discussion of spreading it over five years. Various formulae were discussed. Unfortunately, that is not in Bill C-65.

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My colleague from Kings—Hants provided an example to help understand it. The analogy I will now make may not work perfectly, but it will allow members to understand what I am getting at.

If we do not pass the motion moved by my colleague, the member for Kings—Hants, the provinces will find themselves in a situation something like that of a single parent family on welfare. A job means the immediate loss of the so-called benefits of the social assistance system, such as drug and dental plans, rent to income accommodation, and so forth.

We now know that several provinces, including Quebec, have decided to lessen this impact. We would have liked to see Bill C-65 take the same approach so that a province that put a lot of energy, and often a lot of money, into developing its primary and natural resources would not immediately be penalized. We would have liked Bill C-65 to take a much more logical approach with respect to what could happen in provinces now facing more of an uphill battle than others but wanting to do better.

I hope that all members will support this motion, especially our Reform Party friends who, having been unable to come up with good amendments for the provinces, can turn to us.

• (1145)

Bill C-65 talks about equalization. When I was younger, I viewed equalization as a Robin Hood situation, where the government took from the rich and gave to the poor. This is the simple explanation of a system that unfortunately can have its negative side, as C. D. Howe pointed out. That gentleman wrote an article in which he said that Canada's equalization system consisted of taxing low income Canadians in the have provinces to cover part of the cost of transfer payments to high income residents in the have not provinces.

One must be very cautious about examples referring to Robin Hood or C. D. Howe, for fear of running down a system that does, when all is said and done, work well. Even our friends in the Bloc Québécois have said so on a number of occasions. In fact, their silence today is probably an indication of this.

According to the C. D. Howe example, a poor family in a rich province is likely to have access to assistance from that province, because it has the means. Care must therefore be taken not to criticize a system that works rather well, when all is said and done.

The equalization payment system has been in place since 1957. It is an unconditional transfer to the provinces, one with which the provinces are generally in agreement. Some provinces even have their own equalization system because there are not only national disparities, but also provincial, regional and local disparities.

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For example, for several decades Quebec had an equalization system based on the federal system, as far as its philosophy and calculations go. It used an overall taxation rate, based on a standardized municipal property value, and thus enabled the province to help the least advantaged to get through some hard times.

This changed in 1979. Today, the program scarcely exists any more in Quebec; nevertheless, the philosophy of richer regions helping poorer regions works very well.

I have never heard it said in Quebec that a poor family in a rich region was providing help for a rich family in a poor region. To say so about a system that works very well is pure demagoguery.

Hopefully, Bill C-65 can be improved to help the poorest regions and bring hope to the poorest people. As I said earlier, the amendment moved by my colleague will be a tax incentive to regions starting to make a go of it, without penalizing them.

It is wonderful to see all members in agreement. This morning, I listened to the Reform Party finance critic, who spoke at great length but did not actually say anything useful. He said that they would do things differently. More than once, he commented on how it did not make sense for three provinces to pay for the other seven. He thought it should be five or six paying for three or four.

How is this any different? This is not how the equalization system works. But, according to the Reform Party, it is because things are going well for them in two of the three richest provinces, and they would like to do well in the third. It is not by getting a greater number of provinces to pay for a smaller number that the Reform Party will increase its chances of winning the next election. They are busy creating a new party and trying to come up with a good platform for the next election. We know this will not fly.

The equalization system must continue to improve. That is why the legislation is reviewed every five years. That is why the federal and provincial governments are in constant contact, to monitor the situation on an ongoing basis so that every five years action can be taken to smooth out inequalities in the process.

From three or four criteria in the late 1950s, we now have more than thirty today. This may be complex, but the tax base has broadened and changed, and new tax methods have been introduced.

The leader of the Reform Party said in his speech that he did not understand, that Canadians did not understand. It may not be just equalization payments they do not understand. They perhaps do not understand their tax return either, and that is why there are accountants. The Reform Party does not understand and that is why it is dropping in the polls. The fact that some folks do not understand does not mean that what they do not understand is not good for others.

• (1150)

The tax base has changed, it is better. And that is why we went from three or four items to 30. We hope it is not to complicate things, but to be fairer and more equitable.

For example, 10 or 20 years ago, there were no casinos. Revenues from casinos were not taken into account. Why? Because there were no casinos in Canada. There were community bingo halls, but no casinos. Now revenues from lotteries and games are taken into account in the analysis of equalization payments. Has it made the system more complex? No, I think it is an element to be taken into consideration. Not including it would penalize the regions.

This is why they think there is a change, but the change must be toward really helping, ensuring that equalization payments are at the heart of a country, and of a province and a region. They must serve the purpose for which they were initially intended—to help the people.

We must make sure that, in the regions, in spite of their difficulties and differences, people can enjoy basic services, framework and support equivalent to that of others in this country.

The same thing is done provincially. Quebec did it for decades. It is understandable. It is a principle. We could call it not the Robin Hood of Canadian taxes, but simply charitable, logical.

We are here to make sure that people have excellent services at reasonable cost throughout the country.

[English]

Mr. Ken Epp (Elk Island, Ref.): Mr. Speaker, I would like to ask the member a question with respect to the province of Quebec.

We know Quebec has been a part of Confederation since the very beginning. It is one of the oldest provinces. It contains one-fourth of the country's population. It has a hardworking population. It has a fair number of natural facilities. It has a lot of natural resources. It has a strong agricultural community. It has a vigorous people and yet year after year somehow it needs money from Ontario, British Columbia and Alberta in order to finance the basic programs for its people.

Does the member have any hopes, any dreams for the country, that the province of Quebec, one of the strongest provinces in the country, will eventually become self-sufficient and be able to provide for its own citizens from its own revenues? Is that an anticipation or are we really looking at perpetually having the other provinces support this very vigorous province?

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The reason I ask has to do with the whole basis of equalization. It seems the formula used is such that it demeans the people of Quebec by making them dependent on the rest of the country and does not provide for them an opportunity to be self-sufficient. I would like to see that happen. I wonder what the member has to say about that. I would appreciate his comments.

[*Translation*]

Mr. André Bachand: Mr. Speaker, at the beginning of the hon. member's speech I was surprised, extremely surprised, very pleased even, to see that a Reform member was showing an interest in Quebec. This was a surprise.

By the end, however, I had seen through his question to the cynicism that lay behind it. In fact, I find the way he presented it somewhat patronizing.

It is as if Quebec were not entitled to its share in this country. I would remind hon. members that Alberta once received equalization payments. According to the Reform's principle, the provinces are equal when that suits them, and unequal when it does not.

Quebec is entitled to the same treatment as all other provinces in this country, no more and no less. Like any other province in this country, moreover, Manitoba, Newfoundland, or whatever, it is entitled to respect.

The problem with Reformers is that, every time there is a minority somewhere, a province or group that is different from them, or what have you, they start saying "It's not right; they are getting preferential treatment".

Quebec is taking its proper place, and may it be given the freedom to do so. Quebec, francophones, minorities, will most certainly not be able to take their proper place with the Reform Party, but thank goodness, that will never happen. Thank goodness, the Reform Party will never be in power.

• (1155)

This country is blessed. Proof of that blessing is that, in the next election, the Reform Party is likely to have far fewer seats than it does today. Quebec will take its place in an atmosphere of respect, and not of cynicism, particularly from the Reform Party.

Ms. Angela Vautour (Beauséjour—Petitcodiac, NDP): Mr. Speaker, it is unfortunate having the Reform Party as the official opposition. The Liberal government implements Reform Party policies. When I heard the member say how he wanted to give more power or autonomy to Quebec, I was concerned, because I come from the Atlantic region where help is needed.

The Atlantic region is part of Canada. I think some people in this House forget that. If the Reform Party were in power, it would abandon these regions and its responsibilities toward them. I would

like to know whether my Progressive Conservative colleague agrees with me.

Mr. André Bachand: Mr. Speaker, I agree with 99% of my NDP colleague's remarks.

The Reform Party said it wanted to give greater autonomy to Quebec, but that is not the point. The only way Reform would have a mathematical, theoretical or even political hope of forming a government is if Quebec did not exist, if there were no francophones, including Acadians. The Reform style is to divide and conquer. It is Machiavellian. It is cynical.

The hon. member's party and our own share the representation in the maritimes. They are the access for the development of this country and will surely not be the exit for the Reform Party.

[*English*]

Mr. Ken Epp (Elk Island, Ref.): Mr. Speaker, I am honoured to stand in the House to represent the people of the Elk Island constituency which I would venture to say is the best constituency in the whole country. I also say I have the best woman in the world as a wife. I hope that everybody else would say "no, it's my wife". I really love my constituency and the people in it. They are very good.

I also represent the province of Alberta which has been a net payer into the system except for one occasion approximately 30 years ago when it received a very small equalization payment in one year. In the broader sense I represent the people of Elk Island but also the people of Alberta who have a very great interest in how their money is spent. This money is taken from them through the coercion of taxation and they have every reason in the world to demand accountability on how that money is spent. I am here to represent not only my riding but the province of Alberta.

I really am sorry that the member from the Progressive Conservative Party who answered my question totally misread it. I asked what I thought was a decent question that could have addressed the question of the mathematics and the formula used and whether equality is really equality. The member debased himself into an answer with political rhetoric. The NDP member joined in on it. Somehow they think by oft repeating this message Canadian people will believe it. That is just not true.

People in my riding want to keep this country together. I suppose one of the reasons the support for me and our party out west is so strong is that we are the only party that has ever come up with a decent plan for keeping this country together, reaching out to Quebec in a tangible way, trying to meet its needs and aspirations which this Liberal government and the Conservatives before it rode over roughshod. We are reaching out to it.

These people criticize us because we occasionally have dialogue with members from the Bloc. I think it is about time we dialogued

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with all people of Quebec. A fairly good number, 50%, have been sending separatists to the House of Commons and to the provincial legislature in Quebec.

• (1200)

That sends a very strong message. There is trouble in Ottawa. It is time to address it honestly and try to find a solution to it. Instead, what we get is this attempt by the Liberals, and now the Conservatives who have joined in, to crawl over each other and put each other down. They do not want us to work together. They want power.

I do not know whether this is going to be misunderstood, but I do not want power at all. I have no need for it. My ego does not require this kind of a cheap ego trip. I want to serve the people of Elk Island, the people of Alberta and the people of Canada. Unless we are going to write off Quebec like these other parties are doing, that includes an honest and open dialogue with the people of Quebec.

My question to the member was very clear and explicit. Does he have a hope that Quebec, with its vigorous population, its strengthened natural resources and all of its other amenities and strengths, will ever become independent in the sense that it will be able to row its own canoe and be financially independent? I would hope so. That would be my desire for every province in this country, and it is certainly true for the province of Quebec as well.

I reach out to them because I believe that we need to do what we are proposing in the new Canada act. We need to make sure that we listen to and obey the Constitution of the country which puts a lot more responsibility with the provinces and gives them the freedom to run their programs. That is what the original Constitution envisioned.

Successive Progressive Conservative and Liberal governments have chewed away at that, primarily by the use of spending power. They tax all Canadian citizens individually. They tax individual businesses. They do not tax the provinces. They tax the taxpayers. They then turn around and with all of this money that they have in their pockets jingling away, they take it and put it into wherever they think it should go.

We have no objection to the principle of equalization. In fact if I were to get this debate right on stream, I think it is appropriate for us to once again read the principle of equalization that was adopted in the Constitution Act, 1982. This is something I believe we could support wholeheartedly, provided it is done properly. Section 36(2) of the Constitution Act reads:

Parliament and the Government of Canada are committed to the principle of making equalization payments to ensure that provincial governments have sufficient revenues to provide reasonably comparable levels of public services at reasonably comparable levels of taxation.

I doubt if there are very many Canadians across the country who would disagree with that as a principle. There may be some, but I

am not one of them. I am one who believes in lending a hand of help to people who are truly in need. Later on I will address how we actually determine this equitability or equality.

The principle of every citizen in this country having access to education and to be not denied the right to extend their education beyond high school because of financial restrictions is a principle that I would endorse most wholeheartedly along with 99.99% of Canadians.

It is unconscionable that we have in this country a two tier education system, thanks to Progressive Conservative and Liberal governments, where the people who come from rich families can march right out of high school into post-secondary institutions. Because they are rich they have the money to pay the big tuition fees, the big cost for books and all of the other expenses that are involved. For many Canadians it involves living away from home while they are going to school. If they are rich they can afford it. But what happens if they are poor?

• (1205)

Over the years governments have deteriorated the transfer of funds to the provinces, which they should not have been into in the first place, but they got into it by use of the spending power. When they did that originally it was for a good cause and it was done well. The principle was that no one in the country should be denied the right to post-secondary education because they could not afford it.

The federal government taxed the money from all of the people and from all of the businesses. Then it paid the money back to the provinces so they could provide educational facilities at reasonable cost.

In the mid-fifties and early sixties I was a university student, a recipient of that largesse. I am grateful to this day. It was a wonderful privilege. I was the first member of my family—and I have mentioned before that I am a first generation Canadian—to go on to university. What a privilege it was to be educated and then later on get into the business of education so that I could pass on the knowledge which I had gathered. I believe in that principle.

What do we have now with this Liberal government? The government has a fancy scheme of putting students into interminable debt. When these students graduate from school they will have a debt as big as half a mortgage on a house.

Shortly after I graduated my wife and I got married and started a household. In today's world, if a young couple were to do that, together their debt load for their education on average is equal to the debt of buying a house. How are they going to also finance a house? How are they going to finance the starting of their business, be it a law practice, a dentistry practice or whatever it is? They cannot because they have so much debt. They are in debt federally because their share of the federal debt is \$20,000. They are in debt

provincially because all of the provinces have been going into debt. They are in debt personally because they have encountered all of these wonderful student loans.

I really believe that we ought to look at that again. I do not believe that we are investing properly in our young people. I believe that if equalization payments are to be made from the federal government to the provinces it should be done in such a way that it helps those who are in need.

I think about health care. Every once in a while we hear of people, in fact too frequently, who because they are rich can afford to go to the United States to get superb health care.

I know of a family who lives in my community. It is actually a very sad story. This young married man, who has a couple of children, was feeling tired. His mother was also not feeling well. But they could not get any proper diagnosis in our health care system. First, they wait six months to get in line. When they do get into the health care system there is inadequate equipment. Many of the really skilful medical practitioners have gone off to the United States where there is more money available for their research and for them to be able to practise their profession.

These people, because they had the means, went to the Mayo Clinic. Unfortunately my friend was diagnosed with MS, which is a very serious disease. They could not even figure out what it was here in Canada. Fortunately he had enough money to go there. He also took his mother along. Unfortunately they diagnosed a terminal disease and she has now since passed away.

We often hear the hue and cry "We don't want a two tier health care system". The fact of the matter is, we have it.

This government started out with a good principle. The principle was to make equalization payments so that people in the different provinces could have an equal level of services without undue taxation.

• (1210)

When the federal government originally brought this in it funded 50% of health care costs. It did that quite consistently for a few years. Then payments started to decrease. I do not know if my number is accurate, but a number which I heard recently put it as low as 13%.

In other words, we are still being taxed. Nobody in the country feels that their tax rates have gone down, notwithstanding what the Minister of Finance says. If we look at our bottom line at the end of the year we realize that the average family has, as the statistics from Statistics Canada show, a take home income of \$3,000 a year less.

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We are still being taxed to the hilt, but health care is no longer being funded adequately. What the government has done in the present budget is woefully inadequate in terms of restoring what it should be doing relative to the original purpose of equalization.

There are two issues. One is to provide comparable levels of services at reasonably comparable levels of taxation.

What does the equalization plan do?

I do not know whether people who are watching on CPAC or even members of the House are aware of this, but one of the strange things is that both the provincial and federal governments tax individuals and businesses and then the federal government pays some of the money back to the provincial governments directly.

Originally that was to be done without strings attached, recognizing the legislative and the constitutional right of the provinces to manage these affairs.

I found a really interesting quotation in the report of the auditor general. One of the recommendations in that report came from the Rowell-Sirois commission which was formed in 1937. That is interesting because it happens to be two years before I was born. It was a dominion provincial relations commission. One of its recommendations was that the dominion government should make annual national adjustment grants to the needy provinces. The report went on to describe that.

Then the commission wrote that the grants would be unconditional and the provinces would be free to decide how to spend them or whether to use them to reduce provincial tax rates. In other words, the principle of equalization was embodied in the report of 1937.

Have we lived up to that? No. Now we have a top-down, heavy-handed federal government saying to the provinces "We will give you the money". But are there strings attached? Big time.

My province of Alberta, which as I said in my introduction I am here to represent as well as all of Canada, has been dinged several times. Even though this was its own jurisdiction according to our Constitution, the federal government, utilizing its arbitrary and heavy-handed ability to spend the money it taxes, simply withheld funding from the Alberta government's portion of health care. That is unfair. It is wrong. It is illegal, but no one stands up to the government.

Then we have the separatists. Liberal members cannot figure out why they are here. They shake their heads. Instead of trying to ask the question "Why are they here?" they continually accuse them. I will not do that. I will not accuse the separatist members for being here. Their people back home sent them here. As far as we know the elections were fair and square and the ballots were properly

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counted. There are enough people out there who say "We are so fed up with Ottawa that we want out of this thing". That is terrible.

I know of several families whose children have left on very, very bad terms. It is painful. Those parents hurt when that happens. We as Canadians all hurt when somebody leaves or threatens to leave.

• (1215)

We do not end up criticizing them, bawling them out and yelling at them. We sit down with them. We want to talk to them. We want to find out what are their true legitimate grievances and to solve them.

What has happened with the Liberals? Over and over all they have done is added more grievances to their list. That has to come to an end. It has to be communicated to the people of Quebec so that they will send people here who want to work with the federal government.

Notwithstanding some of the political rhetoric we get around here, and I say this as humbly as I possibly can, I believe that the Reform Party and the principles we espouse contain the seed of the grand reconciliation we need so desperately in the country. Then we can say to the people of Quebec and to all other provinces that we will respect the Constitution and make sure they have the right to manage their affairs properly.

When I speak to the equalization bill I believe we need to get back to the principle which says that we tried to reach an agreement with the provinces so that their people could have the same level of services in education and particularly in health. When we think of welfare, public services like national highways and roads and so on, there are huge costs of running provincial governments. There is absolutely no problem on the part of the Reform to say that those who are truly in need should be able to have those needs met.

In the last minute I would like to say something about the formula. Given that we are admitting we will do that, how do we determine what is equitable? That is the problem. The legislation requires that the act be renewed every five years. We have known since 1994 that this would expire in 1999. What did the government do? Two or three working days before it was introduced in the House we were given notice of it. Then the government almost immediately invoked closure. It had to push it through because it had to be done by the end of the month. I agree with that.

I disagree with the amendment we are speaking to which says we will basically hoist it. I do not think we want to put the provincial governments into such a disaster as the Progressive Conservatives would propose with their amendment that would not give them these payments. We need to have a longer process.

I propose that we ought to do that. The next process should start as soon as this one is renewed. Let us hear from some academics.

We heard some very excellent witnesses in committee. Let us have some academics to answer these—

The Acting Speaker (Ms. Thibeault): I am afraid I must interrupt the hon. member at this point because his time has expired.

Mr. Lee Morrison (Cypress Hills—Grasslands, Ref.): Mr. Speaker, I hesitate to get into a wrestling match with one of my colleagues, particularly the member for Elk Island. I have a problem with his proposal as it affects equalization specific to the province of Quebec.

It is my humble belief, if we are to have good relations with Quebec and get back to some degree of amity with that province, that the best way to do it is to revert to the terms of Confederation, to the initial British North American Act, which clearly defined the rights and responsibilities of the provinces and the federal government and apparently with which all parties were quite happy 130 years ago.

When we get into targeted payments for health and education we are in effect overriding the original intent of the BNA act. Would it not be more in keeping with the spirit of Confederation if equalization payments were non-targeted and were ultimately based, as they are now, on income levels in the concerned provinces based on productivity? We can jigger the formulas and put in as many variables as we like, but ultimately they are a measure of productivity and per capita income.

• (1220)

Why not have totally non-targeted contributions from the federal government to the alleged have not provincial governments, rather than specifying this is for health, this is for education and this is for whatever?

Mr. Ken Epp: Madam Speaker, my hon. colleague from Saskatchewan happens to be, by the way, the MP for my parents and from the area where I grew up. We actually have no differences. Because of the limitation of time I only had 20 minutes and I could not really get into the details of that. I was saying that. The one quote I read actually specified that provincial governments could even use it to reduce their provincial tax levels if they wanted to, total unfettered use by the provinces. Yes, I am totally in agreement with that.

It is interesting also that a number of witnesses appeared before the committee on Bill C-65. One of them was Dr. Boothe from the department of economics at the University of Alberta who held that view very strongly.

I do not know whether I am permitted to do any free advertising here, but there is a book available. I know I cannot display it because that would be considered a prop, even worse than the flag,

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possibly. There is a book written by one Dr. Dan Usher. He is a member of the economics department at Queen's University.

He gave us a very good presentation in our committee. Dr. Usher's book is entitled *The Uneasy Case For Equalization Payments*. He addresses both the question of the principle of equalization and the question of the formula. Many speakers said that we should base it on per capita income, average per capita income across the country, and that for those provinces which are sufficiently low on a per capita income provide some sort of rebate to the provinces to equalize it. In other words, it would top them up a bit so that they are not substantially disadvantaged because they live in a very poor province.

Those issues require a long term debate. That is why I would like to see the government do something. In the report I mentioned, the government said that we should discuss it, have a longer term, come up with a white paper and have some technical input. We just barely got started in committee and it was done because it was rammed through so fast.

I could see after we started that the debate should probably last a couple of years. We could hear from different academics, those people who think about these things, and think the thing through. Let us analyse it. Let us look at the different options. Let us choose the best one.

I anticipate that the next round of negotiations will come about in another five years. It has to be done every five years. Perhaps by then we would be ready to bring in a new equalization formula which is open, which is transparent and which provides for accountability.

At the beginning of my speech I said the taxpayers in my province, because they are not eligible for equalization grants, have a very large interest in making sure that their money is properly spent and well accounted for. It cannot be done with this legislation because the formula is convoluted.

In the finance committee I asked a witness how many people in Canada knew how the formula worked. He looked to his left and his right, because he had two or three officials with him, and said "We are all at the table here but I am not sure they all know exactly how it works".

That is not right. We cannot have accountability to taxpayers when we have that kind of formula. They try to figure out, for example, with the new legislation what is the fiscal capacity of a province on lottery revenues and on gambling revenues. It has many variables. It has to do with how much money is available. It has to do with the psychology of the fact that very often people who have less money available are more likely to spend money on lottery tickets for that little glimmer of hope. It has to do with some people who have a deep philosophical conviction with respect to gambling and will not participate in it, so we get into the psychology of it.

Does this group that determines the equalization payment really think it can get into the heads of the people in Manitoba and determine why it is they are not buying enough lottery tickets? If they did they would have this much income and therefore would be cut out.

Does my hon. colleague know that the province of Manitoba will lose in equalization entitlements under the act about \$50 million? There are other areas where equalization entitlements go up a bit, so the grand difference to Manitoba would be about \$37 million. However it will lose \$50 million. It would be getting \$87 million if it were not for the fact that it is penalized because the people of Manitoba are generally too smart to buy lottery tickets. That is unconscionable.

• (1225)

That is the type of thing we have to get our heads around and solve in the great problem of equalization. I recommend this book by Dr. Usher to every member of the House and certainly to every Canadian who is interested in this subject.

Ms. Val Meredith (South Surrey—White Rock—Langley, Ref.): Madam Speaker, I listened with interest to a number of previous speakers from a variety of parties putting forth their ideas. I am a little confused, I must say, about their positions.

My colleague from Kamloops who represents the New Democratic Party said that his party would support the bill, that it thinks it is worth supporting. Yet I heard him give a whole list of issues with which he had a problem. I am a little confused as to why the New Democratic Party would be supporting it.

I never got the impression one way or another whether members of the Conservative Party are supporting it although they did put forward a motion that the bill should go to committee. They do not want to debate it at third reading or have a vote at third reading. They want to put it before the committee for further study. As I continue I may reflect on other things I heard from various speakers.

I will address the question of what is equalization, what it means. There is not a Canadian who does not believe in the concept of equalization, that those provinces with a greater ability to provide a certain level of services should help those provinces without the ability or capacity to deliver the same level of services. The concept of equalization is supported by most Canadians.

The difficulty we get into is in applying this concept in legislation. Many speakers before me have talked about the complexity of it. They have said that the formula was so "complex, complicated, convoluted", to quote my colleague from Kamloops, that people do not understand what it is or how we try to level the playing field between provinces.

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My colleague from Elk Island sat on the finance committee when the bureaucrats came before it to talk about equalization payments. The bureaucrats admitted that they were probably the only ones who understood what the formula was all about.

As has been mentioned by others, it is very distressing that there is a handful of people, if that, who understand how the government is spending Canadian tax dollars. Canadians would be concerned that there may only be a handful of people who understand how the government is spending tax dollars.

We are not talking about a few tax dollars. We are talking about \$50 billion over the next five years. We are talking about \$10 billion of our tax dollars a year. We have maybe five people who understand how it is being distributed. We have a problem. Not only in this legislation but in all legislation we should be striving for clarity and simplicity so Canadians can understand what it is that their government is doing to them.

Another problem with this program is that there is no consultation. The government is not interested in talking to Canadians about how it will spend the \$50 billion. It is not interested in bringing the ordinary Canadian or the business community or the legislators like ourselves into a meaningful debate.

• (1230)

That is another indication of the arrogance of the government. It continues to feel that it knows better than anybody else to the exclusion of a conversation with anybody else how to govern the country, how to take \$50 billion and distribute it from the have provinces to the have not provinces.

We have heard other colleagues ask if it is fair in a country that is as well off as Canada where we have such a high standard of living according to the United Nations, that we have three provinces carrying the fiscal burden. Three provinces are providing to seven provinces. Is that fair? Should we not be looking at whether or not that adequately represents reality?

For Canadians who may be watching and trying to understand equalization and what it means, they should not feel bad if they do not understand it because there is nobody else in this country, bar a few civil servants who have concocted the formula and have manipulated the formula for whatever reason, who do understand it.

I hope to clarify some of the issues that we feel need to be addressed, to properly deal with trying to create a level playing field between provinces that have the capacity to raise revenue and provinces that do not have the same capacity. Is it necessary to try to accomplish that? I suggest it is. It is a very Canadian thing to do, to try to help those who are less fortunate or may not have the same ability. It is readily supported by Canadians all across the country but they are asking, and rightly so, is it properly managed? Is the

program accountable for its end result and delivery of the services? Is it fair? Is this a program that has the concept of fairness?

I will point out a number of things on which I will challenge that the concept of this bill deals with that. To make equalization and the formula work, there has to be the same kind of tax system in all the provinces so that they are all being compared on an equal basis.

Not all the provinces have the same type of tax system. In essence we are dealing with a tax system in one province and a completely different tax system in another province. In other words, we are dealing with a hypothetical tax system that does not work or does not exist. We are trying to blend them.

The cost of production to create the taxes or source of revenue is not the same in all provinces. There is no way that the cost of taking the trees off a mountainside in a remote area of British Columbia is the same as taking a tree from a flatter area closer to civilization, yet that is not taken into account.

We heard again from my colleague from Kamloops that there is a recognition that new oil sources are more expensive to retrieve than old oil sources. That is very interesting because Alberta, one of the have provinces, depends largely on oil revenue and would have considered the Alberta tar sands as a new source of oil. Certainly it is far more expensive to extract it than the old traditional source of oil, yet there was no compensation for that in the formula.

There was no recognition in the formula to deal with the new type of oil technology that was required for the tar sands. But all of a sudden because of the Hibernia oil field, this new recognition has been brought into the system. The revenue from the Hibernia oil field will only be 70% considered rather than the 100% in another province. This does not add to the fairness of how we deal with revenue sources.

• (1235)

Thirty-three tax areas are brought into consideration in this formula. Another one is property assessment, property taxes. Those can change overnight. All we have to do is ask the individuals who own property on the Musqueam how quickly property values disappear. All it takes is a change in circumstances for that property value, upon which property taxes are considered and are part of the formula, to disappear completely. There is no recognition of those differences.

There is no recognition that property values are different from one end of the country to the other. I would suggest that in my area, a person who bought a single family home could probably buy for the same amount of money a 15 or 20 block apartment elsewhere and have revenue property to help sustain them. That kind of consideration is not taken into account in this equalization payment.

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There is a high cost of living in some of the major centres in this country. A large portion of the income of individuals is used just to provide housing. The differences from one part of the country to another are not taken into consideration in the equalization formula.

There is the politicizing of the formula. We have heard from other members about what happened in Newfoundland. It had a deficit and two days before the writ was dropped for a provincial election, the deficit suddenly disappeared because there was more money in equalization to put into the pot. Therefore, Newfoundland did not have a deficit but lo and behold it had a surplus.

There is no commitment on paper for that money. It was simply the ability of a government to say the discrepancy is there because nobody understands the formula, nobody understands where this money is being spent or how it is being spent. For political reasons they can reach into the pot and say they miscalculated and give out some money for political purposes.

That is not good enough. The transparency and clarity are not there. It allows for the transfer of money to be manipulated for political purposes. The lack of transparency and accountability allows for manipulation not only for political purposes but for other purposes as well.

When a situation is not clear and not accountable, it can allow a formula to be changed, to be interpreted without anybody knowing how to challenge it, again because of the complexity of the equalization payment and the lack of transparency. It is very dangerous for a government to allow itself to get into a position where it cannot account for or justify where our tax dollars are being spent.

I would like to talk about the end result and what equalization in the long run does to our country. My colleague from Kings—Hants brought up the issue of equalization payments providing disincentives for provinces to develop their economies in such a way that they no longer need support from the federal government. I would assume that as the member represents Atlantic Canada, he is aware of what has happened in Atlantic Canada.

I want to share some numbers with my colleague. They are percentages of revenues transferred by the federal government to the provincial governments. These are percentages of the budgets that federal transfers equate.

• (1240)

In Newfoundland the provincial budget relies on 43.7% from federal transfers, almost half of its budget. It is 36.8% that Prince Edward Island depends on federal money to go into its budget. In Nova Scotia it is 40.3%. In New Brunswick it is 38.2%. In Quebec it is 15.3%. In Manitoba it is 29.3%. That shows the heavy reliance

by those considered have not provinces on the federal government to provide them with their financial resources.

I want to repeat that my colleague from Kings—Hants said that part of the problem is that we have created disincentives for those provinces to be able to stimulate their economies and to create an economic environment so that they do not depend on these federal transfers. In other words, what he implied and what I support is that the concept has created a dependency of the have not provinces upon the federal government. It has created a situation where these provinces feel that it is not worth their effort and not worth their consideration to remove themselves from a position of receiving transfer payments from the other provinces.

I can speak from my own experience that this is not a healthy position to put any province in. When a province loses its desire to better itself, to better its economy because it might cost money, that is not a healthy environment. The last thing this government should be trying to do is to continue the circumstances in 1999 going into the next millennium where three provinces are supporting seven other provinces. It just does not seem right in a country as bountiful as Canada.

The next question we have to ask ourselves is does the formula allow for fairness in the provinces. I would suggest that it does not. I do not think the province of British Columbia feels that it is getting a fair shake. I cannot speak for Alberta or Ontario, but I can speak for British Columbia.

What we do know is that although its economy has been number 10 in growth in Canada over the last three years, British Columbia is still considered a have province. We are still expected to take money out of our economy that is not growing and put it into the economy of other provinces that have a higher growth rate. We are still expected to put money into provinces that are providing services to their citizens that British Columbia does not have the capacity to provide to its own.

We see that in the dental care program in the province of Quebec. The province of Quebec is able to provide free dental care, all dental care to children under 10 years old. Children in British Columbia do not get free dental care. But the taxpayers in British Columbia are funding Quebec, or putting money into the province of Quebec, so that it can offer free dental care to its children.

Somehow I do not think that was the intention of the equalization payments. I think the intention of the equalization transfer was so that all provinces could have at least a basic service, that all provinces could provide to their citizens the same thing that another province could provide, not something more, not something better. But that is what is happening.

Look at education and the university tuition fees. Tuition fees are lowest in the province of Quebec.

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• (1245)

Why should the students and the taxpayers in British Columbia be sending money to the province of Quebec so it can provide cheaper post-secondary education for its children when it is not available to the children in British Columbia?

When we talk about fairness I suggest the taxpayers in my constituency and in my province would feel that is not being shown in the transfer payments based on equalization.

Having said all this, what we have to ask ourselves is what would be more acceptable to all Canadians. I want to address a number of issues here. One is that the province of Quebec is constantly arguing as to whether the federal government should be interfering in its—

The Acting Speaker (Mr. McClelland): The hon. member for South Surrey—White Rock—Langley I know is in full flight and I have been disturbing her with my motions to get up but that is because the member is out of time. I will give her 30 seconds to sum up.

Ms. Val Meredith: Mr. Speaker, I guess I was in full flight. I suggest to the members from Quebec that they look at equalization as equality and fairness. They should also look at whether they really want the federal government interfering in provincial jurisdictions and controlling through federal spending their ability to manage their own province.

Ms. Marlene Catterall (Ottawa West—Nepean, Lib.): Mr. Speaker, I noticed that the member South Surrey—White Rock—Langley listed very carefully the proportion of the provincial budget that comes from federal transfer payments in every province that receives equalization payments except Saskatchewan. I do not know if she had a reason for leaving Saskatchewan out. Perhaps it is the fact that Reform has some members elected there.

Perhaps she could tell us just what proportion of Saskatchewan's budget comes from federal transfer payments, including the equalization payments now being debated in the House. Perhaps she could also tell us how Saskatchewan will benefit from the legislation before the House today.

Ms. Val Meredith: Mr. Speaker, the figures I have for Saskatchewan in the 1997-98 budget are that 12.8% of the provincial budget came from federal transfers.

I suggest Saskatchewan is one of the provinces learning that it is better to have self-autonomy, a good healthy economy and to join the have provinces in an economy that stimulates job creation and sees the benefits of not being reliant on a federal government to provide it with money but rather on its own ingenuity, its own progress and its own economy.

[Translation]

Mr. Ghislain Lebel (Chambly, BQ): Mr. Speaker, I listened with interest to the remarks of my Reform Party colleague.

I cannot help but wonder why, during the 1995 referendum in Quebec, these people who find us so expensive stepped in to prevent us from leaving. If we are the drain on finances that the Reform Party members would have us believe, it would only have made sense to let us go, indeed to help us on our way.

However, when the member speaks about the social union and equalization costs, I would simply point out that, while it is true that British Columbia is one of the provinces now on the paying end, this was not always the case. Nor will it always be the case in future.

When the people who fled Hong Kong for British Columbia because of the impending takeover by mainland China return to their homeland, as some of them have already done, and when the U.S. boycotts against British Columbia lumber have achieved the desired effects, perhaps then British Columbia will find itself on the receiving end.

• (1250)

Canadian society and the equalization systems as we now know them can change at any time. What holds true today will not necessarily hold true tomorrow.

If we are costing them so much, if Quebec is not productive and it is not worth keeping us happy within the federation, I would like the member to tell me why she and her colleagues came to Montreal with their flags and paid so dearly to tell us they loved us during the 1995 referendum. I would like her to simply explain that.

[English]

Ms. Val Meredith: Mr. Speaker, I did listen attentively and with interest.

I to the hon. member that we want Quebec to stay within Canada for reasons that are emotional. I did not realize we could buy the support of a province or that we should be buying a province to stay in our country. It is a question of opportunity. It is a question of the ability of a provincial government, through the jurisdictions given to it in the BNA act or the Constitution Act of 1867, to enhance and stimulate an economy, to control its natural resources and to look after its people through health, social services and education. It is not to pass that responsibility on to the federal government. I thought we agreed with hon. colleagues from the Bloc on that issue.

I find it interesting the member would bring in the issue of immigrants from Hong Kong and from Taiwan who have come to Canada. What he has not said is that although people moved to British Columbia and settled there they left their money in the province of Quebec. Quebec benefited from the economic well-being of these people. They invested their money in Quebec and they

got \$90 million for resettlement of these investor immigrants. They did not stay there. They came to British Columbia. British Columbia ended up using our resources while Quebec got the benefit of their investments. I am glad to clarify that for members of the House.

Mr. Tony Valeri (Parliamentary Secretary to Minister of Finance, Lib.): Mr. Speaker, the hon. member indicated in her remarks that it was very complex topic and that the formula in the bill before us had some elements of complexity. I thought I would take this opportunity to clarify a couple of things.

She made reference to Newfoundland and its ability to balance its budget. She felt that was politicization of the actual program. I want to clarify that equalization payments are made according to a formula. Every October the lookback takes place to see what has occurred not only in that province's economy but in the other standardized provinces. When we see what has happened in Ontario and compare what has happened in Ontario and how that increased the standards to what is happening in Newfoundland, we see an adjustment of the program. It is not only Newfoundland, it is other provinces.

If any provincial government decides to call an election sometime after October, I hope the member does not attribute that to politicization of the actual program.

She talked about British Columbia and the turmoil there. We know the Asian crisis is contributing to that. If British Columbia no longer has the ability to raise the kind of revenues it is raising today, it too would be eligible for equalization. Therefore this is a program that is based on formula and one that I think most Canadians support.

Ms. Val Meredith: Mr. Speaker, I find it interesting that the hon. Parliamentary Secretary to the Minister of Finance brings up the formula when there is admission by the auditor general that it is too convoluted, that the formula is manipulated, that it can be changed and interpreted in different ways. The formula is not that clear. That is the whole problem with this equalization transfer program. It is not clear. It can be manipulated.

I respect that he differs with my opinion on the transfers, that the conclusion that they had under given money or under transferred money to Newfoundland was not political. I appreciate that he does not agree with me. I would not expect him to agree with me, representing the federal Liberal Party and supporting the provincial Liberal Party.

• (1255)

Part of the problem, very clearly, is that we have low income families in British Columbia, Ontario and Alberta that are sending money to subsidize the Irving family in the Atlantic Canada provinces.

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It is not fair for low income taxpayers and families in the three have provinces to support very wealthy families and individuals in the rest of Canada.

Mrs. Diane Ablonczy (Calgary—Nose Hill, Ref.): Mr. Speaker, we are on the third and final reading of an act that affects the equalization arrangement we have.

Essentially equalization takes money from the federal tax base collected from the wealthier provinces and pays it to the less wealthy provinces to ensure that provincial governments have sufficient revenue to provide comparable public services at comparable rates of taxation.

This is one of the arrangements in our federation that brings equity and equality to citizens across the country. This is a very good goal and a goal that makes our country work well.

Unfortunately over the years the whole equalization arrangement has become very convoluted, very inefficient and full of complexities that have not been addressed. This arrangement is actually unfair, inequitable and in great need of reform. This bill should be doing that. It does not.

The bill renews the current five year equalization agreement which expires at the end of this month. Specifically, the bill makes some amendments to the formula that determines equalization payments but the amendments amount to nothing more than mere tinkering.

I point out to Canadians watching this debate that this topic, although it seems dry and academic, is actually of tremendous importance to Canadians.

It deals not only with the very heart of our federal system but with the billions of the tax dollars that we work hard for, we give to government and pay into programs like equalization.

The practice of equalization started at the beginning of Confederation in 1867. At that time it involved a few hundred thousand dollars per province. Today equalization transfers alone approach \$9 billion a year. This is in addition to other transfers from the federal government to the provinces like the Canada health and social transfer which supports health care and education, the EI funds, regional grants and other smaller programs.

If we were looking at total transfers with an equalization component, the total payments would be much higher than \$9 billion, perhaps three times as much or upwards of \$25 billion to \$30 billion.

We are dealing with enormous amounts of our money. Because of that, this debate should be of great interest to all Canadians. Although this is a complicated program, and I am a novice on the subject, a few scholars have written about it, the most recent being Dr. Paul Boothe, a professor of economics at the University of Alberta.

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Six months ago Dr. Boothe wrote a 60 page analysis of the equalization system. Just a week ago he testified before the finance committee on the subject of equalization.

For Canadians who want to understand this rather complex area, I suggest they look at Dr. Boothe's work on this subject, "Finding a Balance: Renewing Canadian Fiscal Federalism", released October 30, 1998.

• (1300)

Professor Boothe provides four reasons for transfers between the federal government and the provinces. There is the federal rationale that says each level of government must have the revenues it requires to carry out its constitutional responsibilities.

The central government has taxing powers to collect more taxes than it needs to spend while provinces collect less than they need to spend. That makes these kind of transfers between the federal and provincial governments necessary under our constitutional system.

There is an implication in the Constitution that these transfers will be unconditional. That of course has changed over the years. There is also the citizenship rationale that says that citizens have a right to certain publicly funded social and economic services.

Due to imbalance in the powers of taxation between the provinces and the federal government that I just mentioned transfers become necessary. The citizenship rationale about citizens having a right to publicly funded services suggests that transfers would have some specific objectives. There is a suggestion that transfers should be unconditional. There is a suggestion that transfers should have specific objectives and those need to be balanced out.

There is also the economic efficiency rationale that transfers can be used to alleviate efficiency problems related to the mobility of workers, which means that they can be used to encourage workers to move where the jobs are. Transfers could be used to alleviate bad practices in one province that harm another province, for example grants to induce a province to clean up air pollution and not export it to other provinces. Those kinds of grants would be conditional.

Then there is the equity rationale, closely related to the citizenship rationale, that says the federal government should give the same services and transfers and levy the same taxes on similarly situated individuals regardless of where they live and the provinces should do likewise.

Because provinces do not have identical taxes, services or transfers, this implies an enormous increase in the role of the federal government and very large equalization costs.

I mention this to try to gain some understanding of the philosophical underpinnings of this whole equalization program. Understanding what we are trying to achieve is important before we can

examine a program and ask if it is delivering what we had hoped it would deliver.

The history of the equalization program is also interesting and although it may seem like a dry academic exercise it is helpful for Canadians trying to understand this whole issue of equalization to go through it quickly.

Prior to Confederation most provincial revenues came from customs and excise taxes. With the loss of customs duties, because the federal government became exclusively responsible for levying customs duties, the provinces faced a fiscal crunch in meeting their constitutional responsibility to provide key services to their citizens. Therefore the Fathers of Confederation established a system of transfers providing each province with a statutory grant of 80 cents per person to a maximum of 400,000 persons. Nova Scotia and New Brunswick were also paid a special grant, acknowledging that they trailed Ontario and Quebec in economic development.

Between Confederation and the Great Depression transfers from Ottawa fell as a proportion of provincial revenues. During the depression governments raised taxes to combat deficits. The tax system became very fragmented and complicated and some described it as a tax jungle. What happened in the 1930s may sound familiar to us in the 1990s.

As Professor Boothe points out, at one point the city of Edmonton levied an income tax. Transfers from the federal government to the provinces soared, rising from 10% of federal revenue to 45%. Because the situation was spiralling out of control, a commission was set up, always a time honoured way to study a problem, called the Rowell-Sirois commission.

• (1305)

It made a number of recommendations in 1939 concerning unemployment relief, the collection of taxes and provincial debt. An important recommendation of the Rowell-Sirois commission in 1939 was that the federal government institute a system of "national adjustment grants" for poorer provinces and that general transfers be made to ensure that the provinces had enough revenue to fulfill their constitutional responsibilities without undue taxation.

During the second world war the federal government rented the income tax field from the provinces in return for fixed transfer payments with the understanding that it would be returned after the war. After the war the federal government wished to continue with the rental of personal income taxes. Ontario and Quebec resisted. Ontario did join the tax rental agreement in 1952. Quebec remained outside and set up its own personal income tax system in 1954. That led to the development of the present equalization system.

Formal equalization payments began in 1957 with a fiscal arrangements package that had both an equalization and a stabilization component. The equalization component was calculated based on the average revenue from three tax bases in the two

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richest provinces. This is important because the base for calculation keeps shifting from here on in.

In 1962 the equalization formula was altered, based now on a national average rather than two provinces, and natural resource revenue was included in the tax base. Some of it was, not all. Thus Alberta became a contributing province.

These agreements last for five years. We are discussing a five year renewal today. Five years after that in 1967 the equalization formula calculation was expanded to include the revenue from 16 bases. By this time the federal government had transferred 28 personal income tax and 10 corporate income tax points to the provinces and was offering more in lieu of federal contributions to other programs. We get transfers for other programs mixed in with equalization.

The number of eligible tax bases continued to expand. In 1974 the government abandoned full equalization of energy revenues.

In 1977 the government instituted established programs financing to convert cost shared grants for health care and post-secondary education into block or unconditional grant transfers of only half their former size. At the same time, an equivalent amount of personal income tax and corporate tax points was transferred to the provinces. The cash transfer, which was an equal amount per capita across Canada, was to grow with the economy

Rising energy prices in the 1970s created problems for equalization and Ontario qualified as a receiving province for the first time. We saw the introduction of the national energy program through which the federal government confiscated Alberta's tax revenues to maintain low fuel prices in central Canada. Now we get resource taxation being mixed into equalization.

In 1982 the equalization formula was again altered by moving to a five province standard, excluding Alberta and the four Atlantic provinces, the richest and the four poorest.

Also in 1982 the federal government linked the established programs financing cash component with the tax points. This meant that the federal cash transfer would grow less rapidly than the economy, as had been earlier promised. In addition, the per capita transfer for the three contributing provinces was reduced.

Most important, in 1982 the federal government and all provinces except Quebec agreed to enshrine the principle of equalization in the Constitution, section 36(2).

In 1990 the federal government, as part of its deficit reduction battle, capped the growth of Canada assistance plan payments for B.C., Alberta and Ontario, the only three that were not receiving

equalization payments. In 1995 the Liberals introduced the Canada health and social transfer which was really a slash and burn effort on health care and education. It reduced the total transfer for those programs from \$18.5 billion to \$11.5 billion and locked in the differential treatment of B.C., Ontario and Alberta.

● (1310)

We know of the great hardship this reduction of the Canada health and social transfer put on provincial health, education and social services. The point I make with this history is this. The evolving complexity and patchwork of this program and the fact that it was impacted by a multitude of diverse political purposes to achieve different results from time to time has made this program exceedingly complex.

In addition to equalization there are intergovernmental transfers which add in a component of equalization. In other words, we have equalization and then we have equalization of other transfers. We have equalization on top of equalization which has resulted in some very unfair distortions in the transfers from the federal government to the various provinces.

This bill is about the fiscal arrangements act, equalization payments, but I submit this debate should include a discussion on other major intergovernmental transfers besides equalization, in particular the Canada health and social transfer and regional differences in employment insurance because they also have an equalization component.

As was said earlier, equalization was designed to ameliorate imbalances between revenue and spending responsibilities across the provinces. Today the provinces have access to per capita revenues equal to the potential average of five provinces, B.C., Saskatchewan, Manitoba, Ontario and Quebec. This five province standard includes 33 different tax bases.

I hope members are struggling with this as much as I am because what happens is that in a democracy when billions of our dollars are being spent we need to understand how they are being spent and why they are being spent. I think the history on what I am going through now shows how this program lacks transparency, lacks accountability and therefore lacks the kind of scrutiny we as the public in a democracy need to give it.

The calculation of the values for each tax system is very complicated. Imagine the complication when 33 different systems in each of the 10 provinces are involved. The system also has rules governing floors and ceilings, growth rates and so forth. It has been said that only a few academics and bureaucrats in Canada fully understand the system. I submit it has yet to be proven that anyone understands it. Yet we have only a few hours of debate in the

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House to even try to talk about it, never mind address it in a meaningful, focused way.

Federal equalization payments will total about \$9 billion this year. Federal equalization transfers in 1996-97 ranged from a high of about \$1,800 per person for Newfoundland to a low of about \$220 per person in Saskatchewan. As I pointed out earlier, B.C., Alberta and Ontario receive no equalization payments.

In addition to that variance, the CHST per capita amounts vary across the provinces. Alberta received the least in 1996-97 of \$416 per capita while Newfoundland and Quebec received the most in over \$600 per capita. The same regional differences are present in the EI program.

Currently then there are some real problems with these transfers. They result in individual inequity where a program was supposed to give equity to individual Canadians. They result for a number of reasons in inefficiency, and my colleagues have pointed out some of those inefficiencies. There is declining political viability where three provinces are consistently paying to seven supposedly poor provinces in a wealthy country like Canada and then we have to deal now with the impact of international competition.

• (1315)

I urge the House, instead of just rubber stamping a renewal with a few tinkering changes to the equalization agreement, to do a substantial and sustained examination of the system, some fundamental reform, and move to something that is much fairer for Canadians and much more workable.

Mr. Paul Forseth (New Westminster—Coquitlam—Burnaby, Ref.): Mr. Speaker, I appreciate the comments of my colleague, but I am wondering how we get to a new era where we reduce the kind of unfairness that has been pointed out and perhaps might be able to outline the positions in the new Canada Act which call for two basic reforms. The first is the equal treatment of all citizens with per capita grants to provinces for cost shared programs; in other words, amounts directly related to people in the province. The other is a single equalization grant based on macro indicator per capita provincial GDP.

If we go down the wrong road this transfer can become a reward to a province that essentially delivers poor government to its people. Like any benefit program, if it is not in balance it becomes a trap of continuing pursuit of unwise economic behaviour.

Could the member comment on how we could move to a more broadly based estimation of the ability of the provinces to generate revenue and stay out of the trap that a dependency program could create?

Mrs. Diane Ablonczy: Mr. Speaker, the member is pointing out one of the problems with the program to which I alluded toward the end of my speech, that is the inefficiency of the program.

The member who just spoke is from British Columbia. British Columbia has a situation where the transfer payment is based on gross income. Taxpayers in British Columbia are forced to contribute more to the program even though their province is in recession. If we had a net scheme rather than the current gross scheme, we could address this kind of problem.

Another thing that has been pointed out by experts is that there are incentives in the program for provinces to manipulate their own tax structures to maximize the amount of equalization they receive. I think the member was also referring to that.

If that is so, it clearly adds inefficiencies into the system where provinces could have a brighter economic picture. The current structure of the equalization program actually rewards less efficiency in the management of provincial economies. Experts say this is the case and that it should be addressed in the legislation. It is not addressed at all. The member is quite right in suggesting that area needs to be talked about and needs to be cleared up.

Ms. Angela Vautour (Beauséjour—Petitcodiac, NDP): Mr. Speaker, I find it interesting that a party can get up in the House and say that the provinces are creating a dependency on equalization payments. It is unbelievable that the official opposition, which says that it is a national party, can actually say that it does not agree with those things.

An hon. member: We did not say that.

Ms. Angela Vautour: That is exactly what it is saying. That party does not care for the people in the country who have less than others.

Every province is a province of the country and the wealth should be divided among the whole country, not only among a couple of provinces. There are provinces and territories in the country. I cannot imagine that party has the gall to get up in the House and say the things it says. I hope Canadians are hearing what members of that party are saying. I hope they hear them.

I wish the Liberal government could hear them as well and stop implementing their policies, because that is the other part that scares me. I live in New Brunswick, in Atlantic Canada. It is a province within the Atlantic provinces of Canada.

• (1320)

Reformers talk about dependency on EI and dependency on equalization payments. They pretend to care about minority groups. They pretend because they do not. They do not care about the provinces that need help.

I just checked with every person in Atlantic Canada and we are willing to give up our equalization payments if they want to send

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the jobs they have in their provinces. That is a tradeoff we will take. That is no problem.

People in Atlantic Canada want to work. We live in a country where we are supposed to share. We have the Reform Party criticizing the Bloc. Everybody should be looking at themselves to see what kind of platform they are actually trying to promote.

Mrs. Diane Ablonczy: Mr. Speaker, I applaud the member's passion. The goals we have in the House for the well-being of Canadians across the country are the same. However, it is logical and proper to examine the programs that are supposed to get to the results the member wants to see and to examine whether those programs are in fact delivering the well-being they were intended to deliver.

I have quoted experts that have examined the program who note that it is riddled with inefficiencies, inequities and unnecessary complexity. In some cases it is actually harming the citizens it is supposed to help.

The member will be glad to know the policy of my party is to increase equalization payments to her province. We would argue, largely because of the mismanagement, inequities, inefficiencies and perverse consequences in many of the well intentioned programs visited upon her province, that it is one of the four provinces at this point in time which is in inappropriate economic situation in a rich country like Canada.

It is utter nonsense to somehow suggest that we cannot logically and clearly examine a program and point out its inefficiencies and inequities because somehow this is a slur or criticism of the people who receive the program. The programs are administered by the federal government. We have a responsibility to make sure they are well administered. There is no responsibility on the part of the people who are receiving the program for the inefficiencies and inappropriate measures of the program.

We should have an honest and open debate about them without being accused of somehow taking unfair positions against certain Canadians. The whole point of this debate is to achieve and move toward fairness. I hope we can do that in a thoughtful and considered manner.

Mr. Werner Schmidt (Kelowna, Ref.): Mr. Speaker, I compliment my colleague from Calgary—Nose Hill for the concise history she gave of the equalization payment system in Canada.

I would like her to refer briefly again to the shift that took place. In the very beginning it was to make sure there was a balance in the distribution of wealth across Canada. It was so direct, so transparent and so simple that anyone could understand. Now it has become convoluted, difficult, complex and somewhat obscure.

Could the hon. member speculate on why it went from simplicity to complexity, from openness and transparency to obscurity and obfuscation in many cases?

Mrs. Diane Ablonczy: Mr. Speaker, the simple answer is one word, politics. The program has been twisted and turned and jammed and jimmied to serve political masters and political ends that it was never meant to serve. It should be a simple macro calculation of provinces like some of the Atlantic provinces which have a smaller tax base but whose citizens deserve fair and equal services and of the amount that needs to be transferred from the wealthier provinces to achieve that. Instead we have had all kinds of political manipulation of the system. I would suggest that is the reason the system is not clear.

• (1325)

I point Canadians interested in the whole area of the inefficiencies of the system to Professor Boothe's studies, pages 24 to 29. I do not have time to go over them, but I believe he makes a very concise and lucid evaluation of where some of the inequities exist.

Mr. Werner Schmidt (Kelowna, Ref.): Mr. Speaker, first I thank the powers that be for the occasion to debate this very significant part of Canadian financial affairs. Within this debate we can come to the realization that many things are happening in Canada which are highly desirable. There are other things happening in Canada that are not desirable.

I want to make it abundantly clear that at the heart of this question is the heart of Canada. What do we as Canadians believe about one another? It is very significant for us to recognize that many people prefer to live in Canada than in other countries. In many instances they were born in other countries and chose to immigrate to Canada because they liked it here and because they felt they could live better lives and create a better situation for themselves. It feels good to have been born in a country where that characteristic is admired and envied in many other parts of the world.

Before I go any further in my particular remarks on the bill, I want to refer directly to the earlier remark of the member of the NDP who suggested that the Reform Party does not care about Canadians and that this is just a posturing position.

I would like to read into the record the three points that clarify and are absolutely essential to the understanding of the heart of Canada. Canadians care about one another. I believe these words will probably quash at least partially the hon. member's statement. I hope she is listening because it is significant. I also assure her that I believe what I will read right now. I am there.

For the member's benefit, if for no one else's, Reform will begin negotiations with the provinces to amend the formula for equalization to make it more sustainable and ensure that equalization payments are refocused toward Canada's poorest provinces. Is that

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not exactly what the hon. member was alluding to? I loved her passion. I think we all need to become far more passionate about Canada than is often demonstrated.

The second point I would like the hon. member to remember is that Reform recognizes the need and the constitutional requirement for equalization and would ensure that transitional funding and flexibility would be available for any province which found its equalization entitlement reduced. If that does not speak directly to the concerns that have been expressed, I would like to know what does.

The third point is that under Reform equalization for the poorest provinces in Canada would not be reduced and could be increased subject to negotiations with all Canadian provinces. We would have this interaction among all Canadians.

That suggests to me that not only do we have a heart but we recognize that all other Canadians have a heart. What we need to recognize is that as we help each other we can help to build an even stronger nation and an even more desirable country than we have at the present time.

I would now like to refer to what exactly is the equalization that we are talking about. It is an unconditional grant. An unconditional transfer is perhaps a better way to say it. It is a transfer to the less well off provinces from the better off provinces. That is what it is. That is what we support.

• (1330)

The principle of equalization is embodied in the Constitution. This is not something which this particular government dreamed of at this time. Neither is it something that we suddenly discovered. It was there at the very beginning when this country came into being. It is in the Constitution. Interestingly, the provision is not in the formula. The provision is that this must happen. The Constitution did not say that a particular formula should be observed. Periodically the formula is amended to take into account changes in economic circumstances. That is the current position of the equalization payment provisions in legislation and in the Constitution.

What we also need to recognize is that as we go through history we notice that it has changed dramatically from a very simple taxation system, of which parts of it were transferred, to a highly complex system. There are 33 different measures to determine whether equalization payments should be made. It is needlessly complicated. It does not need to be that way.

What does that suggest? What does it make possible? Whenever we complicate something three things are possible. One, it is not easily understood. That means that there is a group of people who

can become experts and everybody else has to believe their interpretation of how it works.

Second, that creates all kinds of other opportunities. It creates the opportunity to manipulate the formula and the inputs in such a way that would appear to arrive at the same conclusion as anyone else using the same formula would arrive at. However, we all know that when we examine this it does not turn out that way.

Let me give members one interesting example that happened in the first quarter of this year. Lo and behold when the premier of Prince Edward Island looked at the equalization payments he discovered that he was going to have a deficit budget. Then he noticed that it was okay to call an election. He called the election. What happened? The transfer payments were recalculated. All of a sudden he had a balanced budget. It was a \$30 billion difference.

How did that happen? Did it happen because the formula changed? Did it happen because taxes changed? Did it happen because we had a new province? Did it happen because we had a new government in Ottawa? It was none of those things. Had suddenly the population base in Prince Edward Island changed? Had suddenly the GDP changed? No. Something went into this thing that changed the whole picture. Who knows exactly what happened. We could make all kinds of surmises, we could have all kinds of speculation, but nobody could prove the point.

What is the third thing that could happen? In that manipulation and development the whole system could become politically motivated and politically driven. It seems to me that the example I just used illustrates that is exactly what can happen.

The present equalization formula also encourages poor economic decision making by provincial governments and impedes free and efficient labour mobility. That point has been made before, but I want to put this in the context of another issue which has to do with the trade barriers that exist among provinces.

We seem to have developed in this country a preferential interpretation of the Constitution. When it suits us to interpret the Constitution one way, we do that. In other words, the federal government chooses sometimes to intervene in provincial affairs. How does it do that? It intervenes in the educational system. It intervenes in the health care system. What does that do?

The federal government has taken the Constitution, which says that those issues are completely within provincial jurisdiction, and it has intervened. Then it turned the other way. The Constitution also says that there shall be free movement of goods and services across Canada from one province to another. It shall be free. What have we got? We have 700 plus barriers to the moving of goods and services from one province to another, which costs Canadians billions of dollars every year.

• (1335)

On the one hand we interpret the Constitution as saying that the federal government can interfere in provincial affairs and on the other hand we interpret the constitution as saying that it cannot. What kind of sense does that make?

The reason that happens is because the formula has become so complex that it becomes the dictator of what happens. The result is that politics becomes the issue, the bells and whistles become the issue, rather than the heart of the matter which is to help people and to be fair, equitable, transparent and democratic about the whole thing.

That is the heart of this issue. That is why we have some real difficulty with this.

Does this mean that we do not want equalization payments? Does it mean that we should not have them? It means that we have to have equalization payments, which is what I said at the outset. We need them, but they should be transparent, they should be simple and they should be fair.

I want to move to another point which was made by Dan Usher, an economist and professor of economics at Queen's University.

I notice the hon. member opposite is laughing. Why is he laughing? Is he laughing because Dan Usher does not know what he is doing? He knows exactly what he is doing.

He concluded that the equalization program was inefficient, counterproductive and should be radically reformed or scrapped altogether. That is not our position. We do not believe it should be scrapped. But should it be radically reformed? Absolutely.

Usher argues that the ultimate benefit of equalization to the poor may be negligible, even non-existent, and is certainly less than if the federal sources were provided to the poor directly.

That is an interesting development. Give it to the poor people directly. That is ultimately who it is supposed to help. It is not supposed to help governments, it is supposed to help people. It is not the province of New Brunswick that is to be helped, it is the people who live in New Brunswick who are to be helped. That is where we are going. That is what we want to do.

A recent study by the Atlantic Institute for Market Studies found that the massive regional subsidies that have become part of Canada's fiscal and political makeup have done more economic harm than good. The conclusion is that Atlantic Canadians should look to their own economic resourcefulness and not to government or transfers from the rest of Canada. Wow. What a conclusion.

I also refer the hon. member to a conclusion of a former premier of New Brunswick, Mr. McKenna.

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An hon. member: I don't like him.

Mr. Werner Schmidt: The hon. member says she does not like him. That is her privilege.

I will refer to what he said to a conference of Canadians from across Canada: "Do not, first of all, give us grants and subsidies; rather, reduce our taxes. We will use the resources that are left in our pockets, that are left in our province, that are left in our corporations to greater advantage than if you filter them through the government".

That was a premier who was saying "Let individual Canadians keep the money, the individual New Brunswicker", rather than sending the money to Ottawa and then having it returned to the provinces to be filtered down.

In that process a lot of people lose money. They do not make money. I would suggest that even the hon. member who thinks Mr. McKenna does not know what he is talking about would spend her money more effectively than if she gave it to the premier of New Brunswick, the Prime Minister of Canada or any other politician or bureaucrat. She is wise in the expenditure of money. That is why she is here today. She knows how to spend money properly. She wants to represent her people so that they will be able to apply their resources in the best way possible. I commend her for that.

Allowing people to apply their own initiative, their own resourcefulness, would create a better world than the kind of world a government would create. The government's role should be to create an environment so that individuals can apply their skills, abilities and energies in a way that will be most productive.

The relationship between the federal government and the provinces has often been compromised by conflict, by the federal government intruding into provincial jurisdiction and by confrontation.

The national energy program created a direct confrontation with at least one province in Canada, but I will take an example that applies to every province, health care.

We know there was a time when the Liberal government, the current group that is in charge of Canada today, said it would never ever pay less than 50% of health care costs in Canada. It promised that would never change, and it underlined never. However, it did.

• (1340)

Not only did the amount change, but even as the proportion of the funding that came from the federal government changed it insisted that the provinces would get less money. And guess what? The provinces could not decide how they would make up the difference because they were told what to do by the federal government.

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In other words, if a province wanted to introduce a special fee for a service it was not allowed to do that. If the province wanted the money it would have to spend it the way it was told to spend it.

That is not only unfair, it is downright dirty. Why would anybody want to do that? It took away the money and then told the provinces "Now you have less money to do this job. Do it our way". Talk about conflict. Talk about confrontation. That is exactly what happened.

I want to return to the issue of interprovincial trade barriers. The Constitution says that we should have the free movement of goods and services across provincial boundaries. We want that. We want that very much.

The federal government has the responsibility to enforce the Constitution of Canada. What have we had? Nothing.

We agree that this is what we want and what does the federal government do? Nothing. How do we put those things together?

The government chooses to interpret the Constitution the way it wants to, the way it seems will be most advantageous to further its political agenda.

Do I blame the government for that? The Liberal Party has done that forever. The time has come for us not to do it from the top down, but to do it from the bottom up.

Canadians would take a different approach. Canadians want those barriers removed.

I was talking to a fellow in Ontario last week. He said that he finds it more difficult to trade his commodities across provinces than to ship them south into the United States.

What kind of sense does that make? On the one hand we have this great equalization program and then we make it difficult for the provinces to develop their economies by trading within their own country. However, they can trade freely across other borders. There is no logic. A decision has been made, but there has been no action.

I want to refer to a certain provision in this bill which I find absolutely insulting. I do not know if I should say insulting. It really caused me to envision all kinds of terrible things about what this government is really trying to do.

There are 33 tax elements. Guess what? I want to read this into the record. I know the parliamentary secretary is laughing. I think he knows exactly what I will read into the record.

There will be in these new 33 taxes eight different measures for oil and gas revenues. There will be eight different measures. How many different ways will gas and oil be measured? This is the list.

There will be conventional new oil revenues. That is "conventional" and "new oil". Then there will be conventional old oil revenues. These are somehow different. There is new oil and there is old oil, but in both cases it is conventional oil. I guess the difference is drawn between new and old. Where will the line be drawn between what is new and what is old, that which was covered last week or that which was covered a year ago? What is new? What is old? That is one complication.

Then there are heavy oil revenues. I guess that heavy oil weighs more per barrel than the other oil. I know better than that, but is it not interesting that they separate heavy oil from conventional oil? It talks about mined oil revenues. Those are the four oils.

• (1345)

Then it goes into the natural gas: domestically sold natural gas revenues, exported natural gas revenues, sales of crown leases and reservations on oil and natural gas lands. There are three gas measures and four oil measures. Here comes the catch all: oil and gas revenues, other than those described in paragraphs (q) to (w).

There are eight different ways of saying the same thing. The government wants to tax all oil and gas revenues, whether they are from conventional oil, heavy oil, old oil, new oil, gas, whether its sold domestically or whether it is exported. The government simply wants to tax all the revenues from oil and gas. Why in the world can it not say that? No, the government has to write it eight different ways. That is what is going on here. It is needlessly complicated.

Mr. Tony Valeri (Parliamentary Secretary to Minister of Finance, Lib.): Mr. Speaker, I know the hon. member indicated that I was smiling earlier. I was smiling because I could see in the passion the hon. member had in part of his speech his yearning to be back on the industry committee when we were talking about internal trade barriers among provinces. I had the opportunity to work with him on that.

In terms of his remarks on the equalization bill, he talks about the increased adjustments to Newfoundland and what happened. He knows that Ontario forms part of the five province standard and the increase in what is going on in Ontario really contributed to the adjustment to Newfoundland and other provinces.

The member talked about how the Reform Party would refocus the equalization system to Canada's poorest provinces. I have to ask the hon. member, which are Canada's poorest provinces? There are seven provinces today which are receiving equalization payments, the have not provinces. Which ones would he take off the list? Would it be Quebec, Manitoba, Saskatchewan?

The member said he would refocus the program on the poorest Canadian provinces. Some of them must not then be entitled to equalization payments according to how the hon. member described his Reform Party platform.

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Then the member went on to say that Reform would also ensure that the poorest provinces would not have their equalization payments reduced under the Reform plan. In essence, all the adjustments that were made collectively have equalization payments going up to each and every province.

Which would the hon. member take off the list? Which of the have not provinces would not receive equalization payments under the Reform Party platform?

Mr. Werner Schmidt: Mr. Speaker, the important issue here is that the third point is the one that matters. The third point is that we would make absolutely sure that there was a complete and radical reformation of the equalization program. That is the issue.

If the hon. member would stop talking and start listening, I think it would help his understanding.

We want to reform in a radical way the equalization program. There are two points we would make in the radical reformation. If the hon. member would take the time to read the new Canada act, he would find them there. They are equal treatment of all citizens with per capita grants to provinces for shared cost programs and then a single equalization grant based on a macro indicator of per capita provincial GDP compared to the per capita national GDP.

This is at the heart of the issue. That shifts the formula away from the political considerations the hon. parliamentary secretary referred to. He wants to get into this conflict again of one province versus another.

We want to bring the individual into the equalization formula and make sure that we have a macro measure so that we do not have one region competing with another region, one region lording it over another region so that no one benefits. The fact is the manipulation for political reasons takes precedence rather than the needs of individuals and that is what we are concerned about. That is really at the heart of the issue.

I encourage the parliamentary secretary to take this to heart and do this in the equalization formula. If he does that, he will not have all this concern about which kind of oil it is, how old or new it is, whether it is heavy oil or light oil, whether it is gas or oil, or whether it is gas sold in Canada or elsewhere. He would not have to do that. He could simplify his life so much.

• (1350)

Ms. Angela Vautour (Beauséjour—Petitcodiac, NDP): Mr. Speaker, first of all I would like to inform my colleague that when that comment was made, the McKenna government was actually on its way out. It was so far out that Thériault actually made a comment this week that he was trying to distance himself from the McKenna government, although he was holding his hot coffee cup, all along he was in his cabinet. That tells us what the McKenna government did.

The member also said he would give a whole lot more to New Brunswick. I am just wondering how good Reform's word is. That is the question. The words are nice but I also remember about the Stornoway house and how it was a bad place to go to.

An hon. member: The bingo parlour.

Ms. Angela Vautour: The bingo parlour, exactly. But once elected, those words were forgotten. The pension plan was the same thing. How many Reform members got elected saying they would not accept the pension plan and now they have all taken it? Reform also talks about health care.

Mr. Werner Schmidt: Mr. Speaker, I rise on a point of order. The hon. member just made a personal statement.

The Acting Speaker (Mr. McClelland): That is obviously a point of debate.

Ms. Angela Vautour: Mr. Speaker, Reform members talk about health care. Now they are the saviours of health care, although one of the Reform members said at one point that they were hurt in the United States and got better service in the United States.

It is nice to hear the words, but unfortunately, following my review of the situation, we cannot take Reform's word.

Mr. Werner Schmidt: Mr. Speaker, I cannot help but correct what the member has alleged of certain members of parliament and members of the Reform Party.

A large number of us said we would not accept the MP pension plan because it was far too generous compared to what other Canadians could expect. That is an issue which many of us take to heart. I am one of those who said I would not accept that pension. When the legislation was amended we were given the opportunity to opt back in. I did not opt in and most of us did not opt in.

The hon. member should be very, very careful when she paints everybody with the same brush. Am I going to paint her with a particular brush because she is a member of the New Democratic Party? That is not fair and I will not do it. She should not do things like that. She should be corrected. She should apologize and withdraw that statement.

Mr. Paul Forseth (New Westminster—Coquitlam—Burnaby, Ref.): Mr. Speaker, as we listen to this debate it sounds as if we are beating our breasts about who is more caring or who is more willing to redistribute the national income. In other words, who is more willing to be more socialist?

In view of all the problems, I would like the member to clearly explain where we should go. He talked about the single equalization grant. Maybe he could talk a little bit more about what that means, to clarify and to get to the realm of simplicity, to make it politically defensible and accountable to the public understanding,

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a kind of transparency of fairness so that average Canadians can get behind any readjustment and politically support it based on real need and real ability to pay, removed from any perverse incentives or disincentives. Perhaps the member could help us.

Mr. Werner Schmidt: Mr. Speaker, yes indeed, it is as if we want to outsocialize each other. That is not the point here. The point here is that we need to look after the needs of Canadians and we need to do it in as equitable and fair a manner as possible.

We live individual lives. I thank the hon. member for focusing this once more not on a formula, not on a constitution, not on the transfer of funds from one province to another, but rather on the needs of individual Canadians.

If there is one thing that has become abundantly clear, it is that the federal government has taken an increasing share of an individual's income, of an individual's ability to look after himself through the taxation system, which makes it impossible for him or her to do the kinds of things he or she would like to do.

• (1355)

When it comes to equalization payments, the very same system should apply. It should be there for the individual Canadian.

The new Canada Act was put together by individuals, by Canadians who care. It was not dreamed up by some kind of big academic involved behind closed doors in a big ivory tower and thinking something through. This came from people with real needs, people who wanted jobs, people who knew that the system was too complex and too subject to political manipulation in order to accomplish what it was intended to accomplish. That is what we are talking about when we are dealing with these two points.

The Speaker: There are only 24 seconds left my colleague and even you could not ask a question that quickly. I know that you are a good questioner, but I think this will give us a chance to get a few more statements in.

STATEMENTS BY MEMBERS

[English]

INTERNATIONAL FUND FOR ANIMAL WELFARE

Mr. Steve Mahoney (Mississauga West, Lib.): Mr. Speaker, the International Fund for Animal Welfare has paid a retirement settlement of \$2.5 million to its founder Brian Davies.

I wonder what all those people whose way of life and livelihood he and this group destroyed think of that. While he retires in the lap of luxury, they live in poverty. This group led by Davies destroyed the sealing industry in Newfoundland and Labrador, which in turn led to the destruction of the caplin and cod fishery. They deny it. But the truth is, seals eat fish.

And now a \$2.5 million golden handshake. Who would have guessed that IFAW was nothing more than a money making retirement fund for its founder. Probably not the donors; certainly not the taxpayers; and not the men, women and children who had their way of life destroyed.

What a shameful display of greed and betrayal.

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TRADE

Mr. Charlie Penson (Peace River, Ref.): Mr. Speaker, in 1995 this government passed Bill C-103 to block split-run magazines in Canada. In 1997 the World Trade Organization found our split-run tax in violation of trade commitments. Yesterday however, for the second time in four years this government took measures to impede split-run magazines in Canada. This violates the spirit and quite possibly the letter of our trade agreements.

If we are not prepared to respect the trade agreements we sign, how can we expect other countries to keep their word? When we sign an international agreement, we make a promise that other nations rely on. If Canada does not like the terms of a treaty, then we should not sign it. However, this government likes to sign deals and then pass laws ignoring their provisions. Ignoring international agreements minimizes their impact. That in turn undermines the regime that separates orderly trade from chaos.

Can the government not see that if enough countries ignore World Trade Organization rulings, the World Trade Organization itself will become unravelled and not workable?

* * *

LIBERAL PARTY OF PRINCE EDWARD ISLAND

Mr. Wayne Easter (Malpeque, Lib.): Mr. Speaker, good things are happening in Prince Edward Island. I rise in the House to congratulate the new leader of the Liberal Party of P.E.I., Mr. Wayne Carew, who was formally declared leader at a convention in Charlottetown on Friday evening of last week.

Mr. Carew is a dynamic and extremely talented individual with experience in both private business and senior public administration. Island Liberals are enthusiastic about the prospects of his leadership.

I attended last Friday's convention, an uplifting spirited event, which also included a tribute to retiring leader the hon. Keith

Milligan. The mood was very upbeat and positive. It is clear that the Liberal Party of P.E.I. is again on the move. That spells great things and great tidings for the nation, for Canada.

Our thanks to Keith, and our congratulations to Carew.

* * *

THE LATE WILLIAM PETTEN

Mr. Charles Hubbard (Miramichi, Lib.): Mr. Speaker, it is a privilege today to rise and to remember the life of William Petten.

Bill Petten was a man who combined the best of Newfoundland with the best of Canada. With wit and wisdom he served in the Canadian Senate from 1968 to 1998. Bill's infectious sense of humour won him friends on all sides of both houses of parliament.

Senator Petten was instrumental in extending Canada's marine jurisdiction beyond 200 miles to the great advantage of his home province of Newfoundland and to all Canadians. Bill Petten was a friend and confidant of premiers, prime ministers and everyday Newfoundlanders and Labradorians.

To his wife Bernice and his children, Sharon, William, Rob and Raylene, I offer our heartfelt condolences. Like you, we will always remember Bill in our hearts as a great member from Newfoundland.

• (1400)

The Speaker: It is not often I permit myself a few seconds of our time in the House, but what you said about Bill Petten is absolutely on the button. Not only that, but he took many of us, young at the time, as members of parliament under his wing. He was a good Canadian and a good senator.

He will be missed in this House and I am sure a great deal in the Senate.

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IMMIGRATION

Mr. Stan Dromisky (Thunder Bay—Atikokan, Lib.): Mr. Speaker, Canadians are pleased with the recently proposed amendments to our citizenship and immigration legislation.

These amendments aim to improve the efficiency of Canada's refugee system while preserving Canada's humanitarian tradition.

One of the proposed amendments will involve streamlining the Immigration and Refugee Board's three existing layers of refugee decision making into one.

Some individuals in the multimillion dollar immigration legal industry are opposed to eliminating the inefficiencies inherent in the current system, but change must occur. We must have a well balanced system protecting the safety of Canadians and preserving

precious taxpayer dollars while at the same time protecting genuine refugees.

* * *

JUSTICE

Mr. Randy White (Langley—Abbotsford, Ref.): Mr. Speaker, April 26, 1999. That's an important date for Canadians. That's the date the Liberal government encouraged more judges and lawyers to decide on the issue of whether or not the possession of child pornography is illegal.

Yes, instead of standing up in the House of Commons and providing assurances that the possession of child pornography is illegal, this Liberal government failed to express the will of the majority of Canadians.

I ask all interested Canadians to be at that appeal hearing in Vancouver. If Liberal members of parliament will not stand up for you then perhaps the presence at the appeal hearing will send a clear message that this will not be tolerated.

Why is it that the Liberal politicians during election campaigns will stand up in front of Canadians and tell them what they want to hear and yet when they arrive in the House of Commons they do what the Prime Minister and his cabinet want them to do?

Let us send a critical message. Politicians should make laws, not judges.

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[Translation]

ST. PATRICK'S DAY

Mr. Raymond Lavigne (Verdun—Saint-Henri, Lib.): Mr. Speaker, on Sunday, March 14, the Irish community will assemble on St. Catherine Street in Montreal and set out with a crowd of thousands on the St. Patrick's day parade.

The history of these Irish-Canadians is an amazing tale of courageous and determined individuals who are proud to be Canadian and who play an active role in the future of this country.

I invite all members of the House to Montreal for what organizers promise will be a new take on this 175th anniversary.

I wish all these residents of my riding of Verdun—Saint-Henri a truly memorable day.

As they say, come one come all.

* * *

PAY EQUITY

Ms. Caroline St-Hilaire (Longueuil, BQ): Mr. Speaker, government policy must be guided by many things, but mainly by the

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need to always set a good example. I must say that we have seen better examples than the one the government is setting at present.

The President of Treasury Board has decided to set an example as far as pay equity is concerned. His message is very clear. With its decision to appeal the human rights tribunal decision, the government is setting an example of flagrant lack of respect for its employees, women for the most part, by stubbornly refusing to ensure pay equity.

It is also setting an example by wasting the taxpayers' money on legal fees just to put off the inevitable a bit longer.

The government has set such a good example of poor corporate citizenship that others, such as Bell Canada, also feel no obligation to respect their workers.

The time has come for action. Let us have pay equity, and for heaven's sake, let us set an example for others.

* * *

ECONOMIC GROWTH IN QUEBEC

Mrs. Marlene Jennings (Notre-Dame-de-Grâce—Lachine, Lib.): Mr. Speaker, I want to counter something that will most certainly be part of the Quebec Minister of Finance's next budget.

The sovereignists often claim that Canadian federalism is stifling the economy of Quebec. According to a study carried out by the CIBC, the economic growth in Quebec is likely to be higher than the Canadian average in 1999.

In addition, this performance should enable Quebec to get its unemployment rate down below the 9% mark by the year 2000.

• (1405)

The sovereignist government ought to think twice before it blames the federal government for everything that is wrong in the world. It ought instead to be building bridges of co-operation between the two levels of government, in the interests of all Quebecers.

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[English]

JUSTICE

Mr. Jack Ramsay (Crowfoot, Ref.): Mr. Speaker, I rise today to pay respect to a very honourable group of men and women who have dedicated their lives to serve and protect Canadians. They have come to Ottawa from all across Canada. They are our frontline police officers.

Members of the Canadian Police Association are meeting with members of parliament and they are here in the gallery today. Their message is simple. We need to restore balance to Canada's ailing justice system. The Liberal government has failed to listen to these

credible spokespersons who have gained their valuable insights from working the streets of this country.

Canada's police officers want appropriate penalties for crimes committed which means consecutive, not concurrent, sentences. They want section 745 of the Criminal Code scrapped. They want a properly funded DNA databank to eliminate the 600 cases backlogged and they want the legislation amended so samples can be taken at the time of arrest or charge. They need adequate budgets. Cash strapped police forces cannot adequately combat crime. Hopefully the government will listen to the real law and order experts, our frontline police officers.

* * *

INTERNATIONAL WOMEN'S WEEK

Ms. Susan Whelan (Essex, Lib.): Mr. Speaker, this is International Women's Week, a week in which we take time to reflect on the progress made in advancing women's equality. This past Friday, March 5, over 250 participants did just that at the first annual Women in Politics Conference in Windsor which was hosted by my provincial colleague, Sandra Pupatello, and me.

The conference was dedicated to the memory of Shaughnessy Cohen and this event was sanctioned by the area school boards. Students from high school, college and university from across Essex County, the city of Windsor and Chatham participated in a one day forum to encourage young women to become involved in our political system.

Guest speakers included the Hon. Dianne Cunningham, Lyn McLeod and Marion Boyd who spoke to an enthusiastic crowd at the Fogolar Furlan Club on the role women can and do play in politics. Keynote luncheon speaker Robert Fisher, anchor for *Global News*, gave a fantastic account of his experience with women politicians, and our media panel included the Ottawa *Citizen's* Jane Taber.

A special thanks to our student organizers and corporate sponsors and to the principals, teachers and students who recognized the importance of our message through their participation. The conference participants took a step forward in the advancement of all women.

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BANKRUPTCY

Ms. Libby Davies (Vancouver East, NDP): Mr. Speaker, today a young woman and recent university graduate named Annick Chenier decided to fight back against this government's relentless attack on students. Annick, with the help of the CFS, has launched a court challenge aimed at striking down discriminatory and unjustified changes to the Bankruptcy Act pushed through by the Liberals in last year's budget.

These changes force students unable to cope with debtload to wait 10 years after leaving school to file for bankruptcy. Annick,

who graduated with a debtload of \$63,000, has been forced to seek justice from the courts because the government refuses to do it.

Today I rise to do two things, first to applaud Annick's courage and second to call on the Minister of Human Resources Development to save Annick the pain of a lengthy court battle by doing the right thing, repealing this discriminatory change to the Bankruptcy Act. If the minister will not do it, then I urge all members of this House to support my private member's Bill C-439 which would do the job for him.

* * *

[Translation]

CANADIAN POLICE ASSOCIATION

Mr. Jacques Saada (Brossard—La Prairie, Lib.): Mr. Speaker, over one hundred representatives of police associations are coming from across the country to meet in Ottawa and debate matters of concern to the police community.

The fifth annual legislative conference of the Canadian Police Association provides an opportunity for direct contact with those who play a vital role protecting Canadians. Public security is important to all Canadians. It is important to the government as well.

I encourage all members to use this valuable opportunity to meet these police officers, who make a major contribution to the safety of us all. They often have to work in very difficult conditions.

As Parliamentary Secretary to the Solicitor General of Canada, I salute them.

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[English]

ATLANTIC THEATRE FESTIVAL

Mr. Scott Brison (Kings—Hants, PC): Mr. Speaker, the Atlantic Theatre Festival in Wolfville, Nova Scotia has developed a sterling reputation over four seasons of operation as a Canadian leader in quality classical theatre. In recent months a fifth season was in doubt due to financial difficulties.

However, the festival has succeed in overcoming these challenges and will launch a fifth season this summer. The response of the community has been a significant factor in this effort. All levels of government, the corporate sector and the private sector responded to the call for help. Most important, community residents themselves got together and worked hard to ensure the continuation of this great theatre company.

• (1410)

The festival injects an estimated \$10 million into the local economy each year. This impact will only grow as the theatre seeks to broaden its activities to ensure that the entire community has access to the facility.

S. O. 31

Nova Scotia and Canada look forward to another remarkable season of classical theatre in Wolfville, Nova Scotia. Congratulations to the Atlantic Theatre Festival.

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INTERNATIONAL WOMEN'S WEEK

Mrs. Karen Redman (Kitchener Centre, Lib.): Mr. Speaker, this is International Women's Week. Canadians across the country are participating in events to mark this special occasion.

In my riding of Kitchener Centre, in partnership with the Chamber of Commerce, I hosted a breakfast featuring author Stevie Cameron and producer Lynda Shulyer who shared their personal experiences and challenges. It was a motivational morning.

History is being written right now. We must ensure that our sisters, daughters and granddaughters have the opportunity to realize their potential, that they are able to contribute to our country and our society in the fullest way possible. We have a responsibility to be their mentors and to guarantee the doors are open wide for them.

Judy LaMarsh, the first female Liberal government cabinet minister, once wrote:

Women will some day be equal in Canada and elsewhere in the western world. Through periods of incredible adversity as pioneer wives and daughters, we have filled the breach in every conceivable way. Each year we inch closer to true quality of opportunity.

Ms. LaMarsh was correct. We have come through great adversity but we cannot stop—

The Speaker: The hon. member for Rimouski—Mitis.

* * *

[Translation]

1959 STRIKE AT CBC FRENCH NETWORK

Mrs. Suzanne Tremblay (Rimouski—Mitis, BQ): Mr. Speaker, 40 years ago today, the 75 producers of the French network of the CBC returned to work after 69 days on strike. They would change the course of history.

This strike in fact gave a number of people involved in the dispute the opportunity to appreciate fully Quebec's situation in Canada. They in turn—the Lévesques, Duceppes, Marchands, Pelletiers and Roux—then tried each in their own way to give francophones access to power.

According to journalist Guy Lamarche, who covered this event, René Lévesque would not forget the CBC's indifference toward the French network and the abyss separating the two solitudes.

The end of the strike signalled a great victory. The strikers returned to work with their heads high and paved the way to francophone and Quebecker pride.

Oral Questions

[English]

PRIME MINISTER

Mr. Leon E. Benoit (Lakeland, Ref.): Mr. Speaker, this week-end a leaked letter from the Prime Minister divulged that he ordered his caucus to let the Senate's request for a 6% increase pass without resistance. The Liberal sheep will probably comply.

This is only the latest in a long string of anti-democratic dictates by this Prime Minister. For example, in the last two weeks alone the number of times this government has closed down debate has reached 49. The Prime Minister ordered his MPs to vote against a motion that would quickly end child pornography in British Columbia. Today he will probably order his MPs to vote against the bill that would correct the injustice of higher taxation for families with one stay at home parent.

What is wrong with this picture? What is wrong is that the Prime Minister considers Liberal MPs to be his MPs and not the representatives of the constituents they are supposed to represent. What do the Liberal MPs do about it? Nothing. After all, it is only the democracy of this country that is being threatened and being destroyed. Obviously they do not believe that is worth fighting for.

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[Translation]

FOOD BANKS

Ms. Angela Vautour (Beauséjour—Petitcodiac, NDP): Mr. Speaker, two weeks ago, I visited eight food banks in my riding of Beauséjour—Petitcodiac.

To my dismay, I learned that demand has gone up in food banks over the last five years. The reasons are inadequate pay cheques, single parent families and, the biggest reason of all, EI cuts. Thousands of unemployed workers have no choice but to go to food banks.

Moreover, I learned that the Department of Human Resources Development is creating a dependence on food banks in New Brunswick by forcing people to turn to these banks instead of providing them with financial assistance. While this Liberal government continues to help the rich get richer, poor families are falling further and further behind.

I would also like to take this opportunity to congratulate food bank co-ordinators on the wonderful and much appreciated work they do.

* * *

[English]

CANADIAN BROADCASTING CORPORATION

Mr. Norman Doyle (St. John's East, PC): Mr. Speaker, last week I spoke in the House against the current government practice

of paying certain federal public service workers different rates of pay for doing the same work in different regions of our country.

I am now raising the matter again in the context of the ongoing CBC strike. CBC management is proposing to change a national pay system to a two tier system, with workers in Toronto and Vancouver receiving higher rates of pay than CBC workers elsewhere in Canada.

CBC is a national body. Its pay system should not treat workers in Newfoundland as second class.

• (1415)

I call upon the minister responsible to put an end to that practice and help bring about a resolution of the strike at the earliest opportunity.

ORAL QUESTION PERIOD

[English]

TAXATION

Miss Deborah Grey (Edmonton North, Ref.): Mr. Speaker, tonight parliament will vote on a Reform motion. I will read it:

—the federal tax system should be reformed to end discrimination against single income families with children.

It is pretty straightforward. It will instil fairness, but the Prime Minister has ordered every Liberal MP to vote against it, no matter what. Ministers were even told to cancel important trips abroad because they are supposed to be here to vote no.

Why is the Prime Minister forcing Liberal MPs to discriminate against stay at home parents?

Hon. Paul Martin (Minister of Finance, Lib.): Mr. Speaker, the hon. member knows that is not the issue and that we have asked that this matter be referred to the House of Commons finance committee to deal with it.

Let us understand what the real issue is here, that members of the Reform Party are advocating that family income be the basis for taxation, not individual income. That is the issue they are putting before the House, and that is what all members will be asked to deal with.

Miss Deborah Grey (Edmonton North, Ref.): Mr. Speaker, the finance minister thinks he can just shuffle it off to committee, but we have seen more committees get busy in the House and no one across the country knows what they are doing and nothing seems to get accomplished by them.

By sending it to committee the finance minister is simply admitting that he knows there is something wrong in the system.

Oral Questions

The committee may say one thing but what will happen tomorrow in the United Nations is that the government will defend discrimination against stay at home parents.

Why cannot the government just admit the obvious, that it discriminates against stay at home parents, plain and simple?

Hon. Paul Martin (Minister of Finance, Lib.): Mr. Speaker, it is very clear that we are dealing with an issue which is complex. It is not an issue that will be subject to a simple solution.

The question I would then put to the hon. member is why does she insult members on all sides of the House. Why does she say that she does not want this matter to go to committee? Why does she say that members of the House are not capable of dealing with one of the more fundamental issues?

That is what the members of the all party finance committee were elected to do. It is in fact to make sure that systems, programs and aids to Canadians evolve along with their needs.

Miss Deborah Grey (Edmonton North, Ref.): Mr. Speaker, committees have dealt with this over and over again. The finance minister could have straightened it out in the budget. He has had any number of budgets to correct this and he simply has not done it. We see from every government member that they like to discriminate against stay at home parents.

Mr. Speaker, do not take my word for it. How about the Liberal MP for Durham who in today's *Hamilton Spectator* said that the whole tax system was discriminatory, that the bottom line was that taxes were too high, period?

If that is true, does the finance minister really think that Canadians will accept more excuses from a committee rather than less taxes?

Hon. Paul Martin (Minister of Finance, Lib.): Mr. Speaker, that is why we reduced taxes in last year's budget, why we reduced taxes in this year's budget, and why we will reduce taxes in the next budget.

Let us be very clear what we are dealing with here. The Reform Party in its report on taxation and the member for Calgary Centre in the House said very clearly that the basis for taxation should not be individual income, that it should be family income.

That means that when a lower income spouse goes back into the workforce the lower income spouse would be taxed at the income of the higher spouse and that—

The Speaker: The hon. member for Medicine Hat.

Mr. Monte Solberg (Medicine Hat, Ref.): Mr. Speaker, the finance minister's actions do not meet his words. He says he is concerned about the state of single income families. Yet tonight he will whip MPs to vote against single income families and in favour of tax discrimination.

Tomorrow at the UN he will sic his pit-bull lawyers on a homemaker who is fighting to eliminate discrimination in the tax system.

How can he deny that sending this issue to a committee is nothing but a farce, designed to hide the tax discrimination against single income families?

Hon. Paul Martin (Minister of Finance, Lib.): Mr. Speaker, what the committee will be dealing with is a complex problem involving a number of departmental areas, a number of initiatives including taxation.

• (1420)

At the same time those members who would vote against the Reform motion are voting against a motion that would have regressive taxation. They are voting against a motion that would penalize families. That is what they are voting against.

Mr. Monte Solberg (Medicine Hat, Ref.): Mr. Speaker, if the minister really wanted to end tax discrimination, he would call off his whips tonight and allow MPs to give that committee a mandate to end tax discrimination. That is what he would do.

He would call back his lawyers from New York and tell the UN that we would end tax discrimination in Canada. Can the minister not see that any other course of action is sheer hypocrisy?

The Speaker: I prefer that we not use that word in the House because it just brings retaliation from others.

Hon. Paul Martin (Minister of Finance, Lib.): Mr. Speaker, in 1995 the Reform Party taxation task force said that the family structure was a primary consideration in measuring ability to pay. It is the households with similar family structures that would be taxed.

We should understand what that means. That means that when a lower income spouse decides to re-enter the workforce, that lower income spouse will be taxed at the higher rate. It means that when two people marry the lower income spouse will be taxed at the higher rate. What in fact they are talking about is a disincentive to marry. That is their position.

* * *

[Translation]

EMPLOYMENT INSURANCE

Mr. Gilles Duceppe (Laurier—Sainte-Marie, BQ): Mr. Speaker, the government has spent the \$25 billion in the employment insurance fund in order to balance its budget. There is, therefore, no money left for a rainy day.

Last week, we asked the Minister of Finance if he could tell us what he planned to do if we hit some bad times, or a rainy day, as he put it. Is he going to increase contributions to the employment

Oral Questions

insurance fund, reduce the benefits paid to the unemployed, or create deficits?

Having had a week to think it over, could the minister give us an answer today?

Hon. Paul Martin (Minister of Finance, Lib.): Mr. Speaker, I shall tell the hon. member exactly what I told him last week, that one of the reasons for eradicating the deficit was that now we have a surplus, which will help us get through any bad times that might occur. We do not want to do what the Progressive Conservative Party did, which was to raise contributions during a recession.

Second, Canadians have the guarantee of the Government of Canada, a government now far more stable financially than it was.

Mr. Gilles Duceppe (Laurier—Sainte-Marie, BQ): Mr. Speaker, when the minister tells us there is a surplus, first of all, there is none in his budget. Second, the Minister of Human Resources Development tells us that it has all been spent.

I ask him again: if there is no more money set aside, if there is nothing in the fund, is he going to raise premiums, reduce benefits, or create deficits? It has to be one of these three. Otherwise, his answers do not hold up. There is no more money left in the fund, and according to him there is apparently a zero deficit and no surplus.

Let him give us an answer, then.

Hon. Paul Martin (Minister of Finance, Lib.): Mr. Speaker, the Government of Canada has always been the guarantor of the fund, the guarantor for employees and employers in times of recession. We have always done this when there was a deficit.

I can assure the hon. member that, if ever a misfortune should occur, the Government of Canada will be there.

Mr. Paul Crête (Kamouraska—Rivière-du-Loup—Témiscouata—Les Basques, BQ): Mr. Speaker, the chief employment insurance actuary says in his report for 1999 that in the event of a shortage of funds in reserve, the best solution would be to permit a modest cumulative deficit during a recession and then increase contribution rates slightly during the following recovery.

Will the Minister of Finance finally admit that in the next recession, since there is no separate fund for employment insurance, he will be forced to do what the chief actuary has just described?

Hon. Paul Martin (Minister of Finance, Lib.): Mr. Speaker, I have just answered this question twice. In view of Canada's current financial situation and of the financial situation of the employment insurance fund, if there were a recession, Canada would be in a much better position to deal with it. That is thanks to the improved state of the public purse.

The member seems to want a recession. From what I see in the projections, there will not be one.

• (1425)

Mr. Paul Crête (Kamouraska—Rivière-du-Loup—Témiscouata—Les Basques, BQ): Mr. Speaker, the Bloc Québécois has made two proposals to the government: antideficit legislation and a separate fund for employment insurance. The government rejected them both.

After getting business, the workers and the unemployed to pay for the 1990s' deficit, is the government not now getting ready to again use the same approach in the next recession?

Hon. Paul Martin (Minister of Finance, Lib.): Mr. Speaker, no.

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[English]

ABORIGINAL AFFAIRS

Ms. Alexa McDonough (Halifax, NDP): Mr. Speaker, the government is considering putting nuclear waste dumps on first nation lands.

I met with first nation leaders in northern Ontario on the weekend. Their communities do not want anything to do with nuclear waste dumps. The housing, the health, the social and economic conditions in their communities are appalling.

Is this the price that first nations have to pay to get decent services, to become Canada's nuclear waste dump?

Hon. Ralph E. Goodale (Minister of Natural Resources and Minister responsible for the Canadian Wheat Board, Lib.): Mr. Speaker, the premise to the hon. member's question is completely false.

In response to the Seaborn report we indicated that we would be pursuing a process of consultation with aboriginal peoples as Seaborn recommended. In fact those aboriginal organizations have asked for that consultation in writing and we are proceeding to respond to them.

Ms. Alexa McDonough (Halifax, NDP): Mr. Speaker, last year an environmental panel rejected underground nuclear waste dumps. Despite that recommendation the government is going ahead, determined to find first nation communities so desperate for money that they will overcome their fears and welcome nuclear waste dumps.

First nations are insulted. Why will the government not show some respect for their communities and respond to their economic and social needs, no strings attached?

Hon. Ralph E. Goodale (Minister of Natural Resources and Minister responsible for the Canadian Wheat Board, Lib.): Mr. Speaker, as the Minister of Indian Affairs and Northern Develop-

Oral Questions

ment has indicated many times in the House both by her words and her actions, the commitment of the government to the aboriginal people of the country is full and with no strings attached.

With respect to the issue having to do with the proper management of nuclear fuel waste in the country, we have an elaborate report from Seaborn. We have the government's response to that. It is predicated upon full, open, public consultation, including with aboriginal people, and that is what we are proceeding to accomplish. No decision has been taken with respect to any sites or dumps.

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TAXATION

Mrs. Elsie Wayne (Saint John, PC): Mr. Speaker, in late February I had the pleasure of visiting the Windsor region of Ontario. During this trip I also met with a group called Canadians Asking for Social Security Equality. This group is comprised of individuals who are Canadians that live in Canada but had to work in the United States and have returned home to retire.

Will the finance minister inform the House why the government has increased the tax rate on their social security by over 70% and will now be taxing their U.S. social security at an inclusion rate of 85%—

The Speaker: The hon. Minister of Finance.

Hon. Paul Martin (Minister of Finance, Lib.): Mr. Speaker, what in fact happened is that there was a tax treaty that had been signed with the United States. As a result of the actions of a number of the members on this side of the House who brought this matter to the government's attention, we in fact renegotiated the agreement with the United States saving those Canadians an enormous amount of U.S. tax.

Mrs. Elsie Wayne (Saint John, PC): Mr. Speaker, while those Canadians were working they were taxed on of every one of their social security cheques.

For the 12,000 people who live in the Windsor area and the 54,000 people this affects in border communities across Canada, this increase has encouraged them to leave Canada and go back to the United States.

Will the Minister of Finance inform these seniors—they are seniors, the same people that his father represented in the House—what steps he will take to correct this injustice imposed on these seniors?

Hon. Paul Martin (Minister of Finance, Lib.): Mr. Speaker, as I mentioned to the hon. member, the fact is that this situation was brought about by certain actions of the U.S. government. The Canadian government as a result of the pressures brought by members of this particular caucus, many of whom are from the Windsor area, sat down with the Americans and renegotiated the agreement.

Yes, there is taxation involved, but the hon. member will certainly agree that all Canadians should in fact pay tax on the same basis. It is the essence of fairness.

• (1430)

Mr. Eric Lowther (Calgary Centre, Ref.): Mr. Speaker, we do not need another committee study. All we have to do is look at our tax forms and see the systemic discrimination that stay at home families and their children face.

By forcing Liberal MPs to vote for tax discrimination tonight, the Prime Minister is sending a shot across the bow of this Liberal dominated committee: don't you dare think for yourselves. If the committee is for real, why will the Prime Minister not allow a free vote and let the results guide the committee's recommendation?

Hon. Paul Martin (Minister of Finance, Lib.): Mr. Speaker, if the hon. member believes that there is discrimination, why did Reform members vote against the care giver credits, against the child tax credit and against prenatal nutrition? The reason they gave time and time again was that they did not want targeted tax treatment. They said there must be broad general tax reductions which would enforce the very discrimination they say exists.

Mr. Eric Lowther (Calgary Centre, Ref.): Mr. Speaker, the minister likes to ask questions but he does not like to answer questions.

It does not look like we are going to have a free vote on this. The minister is telling Canadians he is going to refer it to committee. How can Canadians believe there will be even an ounce of sincerity to address this issue when the finance minister at the same time is sending high priced government lawyers to the United Nations to defend the very same tax discrimination in the current system? How can he tell the committee there is an issue but tell the UN tomorrow that there is no issue?

Hon. Paul Martin (Minister of Finance, Lib.): Mr. Speaker, just think of what the hon. member is saying about this House and about the committee process. What he is saying is that there is no integrity and no sincerity in the process. He may be speaking about his own party's members on the committee but he is certainly not speaking about the government members on the committee.

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[*Translation*]

EMPLOYMENT INSURANCE

Mr. Michel Gauthier (Roberval, BQ): Mr. Speaker, my question is for the Minister of Finance.

There is something seriously wrong with the Minister of Finance's last budget. The minister forecasts a drop in Canada's unemployment rate, but he also forecasts an increase in EI payments.

Oral Questions

Are we to understand that he has secretly decided to improve the EI system but has not put us in the picture?

Hon. Paul Martin (Minister of Finance, Lib.): Mr. Speaker, what the member is to understand is that, when the economy is doing well, many more Canadians have jobs. This means that average salaries are higher and many more people are eligible for benefits. It is good news, not bad.

Mr. Michel Gauthier (Roberval, BQ): Mr. Speaker, I believe the Minister of Finance is mistaken.

I looked at the report by the government's chief actuary. For the past 26 years, every time unemployment went down, so did benefits. Every time unemployment went up, benefits followed. This has been the pattern consistently for 26 years.

Why would this pattern suddenly change this year? I think the minister is the one who is mistaken.

Hon. Paul Martin (Minister of Finance, Lib.): Mr. Speaker, the reason is that this is the first time in twenty or so years that real disposable income has gone up. It is the first time that the level of unemployment has gone down and the number of jobs has jumped so quickly. It has been quite some time since the Canadian economy has been as strong as it is today.

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[English]

TAXATION

Mr. Jason Kenney (Calgary Southeast, Ref.): Mr. Speaker, not surprisingly, the Minister of Finance has been misrepresenting the Reform position on this issue today.

Some hon. members: Oh, oh.

The Speaker: Order. Be very judicious in your choice of words.

Mr. Jason Kenney: Mr. Speaker, the position of the Reform Party is that we ought to raise the spousal exemption to be equivalent to the basic personal exemption so that there are no second class citizens in this country, and that we should take the discriminatory child care tax deduction and turn it into a refundable credit available to all parents regardless of their child care choices.

Yesterday the minister for the status of women said that we should actually increase the child care tax deduction to increase the unfairness against single income families. Is this the lead the government is giving the finance committee, to increase the unfairness against single income families?

• (1435)

Hon. Paul Martin (Minister of Finance, Lib.): Mr. Speaker, if there is any misrepresentation, it arises—

Some hon. members: Oh, oh.

The Speaker: Order. I ask all hon. members to be very judicious in their choice of words.

Hon. Paul Martin: Mr. Speaker, it is very hard to quote a Reform Party report without being unparliamentary. The Reform Party in its statement said "households with similar family structure and income are taxed the same; the family structure is a primary consideration in measuring ability to pay". The member for Calgary Centre, that is taxing family income. What that says is the Reform Party is against progressive taxation because it is against individual taxation. What the Reform Party is really saying is that we would no longer tax according to ability to pay, we would in fact tax in reverse ability to pay. Reform would tax the poor to—

The Speaker: The hon. member for Calgary Southeast.

Mr. Jason Kenney (Calgary Southeast, Ref.): Mr. Speaker, the finance minister, whom I have considerable respect for, knows that is a lot of nonsense. He knows that what we are talking about here is the discriminatory impact of the child care tax deduction which says that people who pay someone else to raise their kids get to claim a \$7,000 deduction, while those who give up a second income get to claim precisely zero.

Yesterday the minister for the status of women said that single income families are actually ahead of double income families. Does she not recognize the opportunity costs, the forgone income and the lower standard of living of single income families who do what they think is best by their families?

Will this government tell the finance committee to increase the up—

The Speaker: The hon. Minister of Finance.

Hon. Paul Martin (Minister of Finance, Lib.): Mr. Speaker, I may have been citing a lot of nonsense. I cannot help it. I was quoting the Reform Party report—

The Speaker: I ask hon. members not to use props in the House. The hon. member for Québec.

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[Translation]

EMPLOYMENT INSURANCE

Mrs. Christiane Gagnon (Québec, BQ): Mr. Speaker, even if the minister says the very opposite, the employment insurance program penalizes women who stay out of the workforce for more than two years to care for their children.

My question is for the Minister of Human Resources Development. How can the minister explain that women who have left the work force to care for their children have to start from scratch afterward, as if they had never worked, regardless of their contribution to the workforce?

Oral Questions

Hon. Pierre S. Pettigrew (Minister of Human Resources Development, Lib.): Mr. Speaker, I am pleased that the hon. member for Québec is again providing me with an opportunity to make it clear to the House that women wishing to return to the workforce may indeed do so, unlike the situation under the old act and the old program the Bloc Québécois wants to bring back, when they did not have access to active employment measures if out of the workforce for more than two years.

We have extended this period to five years. Now, a woman can have access to active measures for returning to the labour market after being out of the workforce for up to five years. This is the reform to which the hon. member for Québec objects.

Mrs. Christiane Gagnon (Québec, BQ): Mr. Speaker, we know that women are contributors. They all contribute, but what the minister is not telling us is that seven out of ten women end up excluded.

Is it or is it not true that a woman who worked for ten years, has paid a great deal into the employment insurance fund, and has now been out of the workforce for two years, caring for a child, has to start again from scratch as far as eligibility for employment insurance is concerned, exactly as if she had never worked? Is this true or not?

Hon. Pierre S. Pettigrew (Minister of Human Resources Development, Lib.): Mr. Speaker, allow me once again to—

An hon. member: True or not?

Hon. Pierre S. Pettigrew:—correct the Bloc Québécois, which spends—

Some hon. members: True or not?

Mrs. Suzanne Tremblay: Change the record. Is it true or not? That is the question.

Some hon. members: True or not?

The Speaker: Order, please. I would ask the hon. member for Rimouski—Mitis to tone it down a little.

Hon. Pierre S. Pettigrew: Mr. Speaker, once and for all, I would like to remind this House that 78% of workers who pay into employment insurance—

Some hon. members: Oh, oh.

Hon. Pierre S. Pettigrew:—and who lose their jobs, or resign—

Mr. Paul Crête: True or not, that is the question.

Hon. Pierre S. Pettigrew:—for just cause, are covered by our employment insurance system.

Some hon. members: True or not?

• (1440)

The Speaker: Order, please. The hon. Minister of Human Resources Development is now going to finish his reply.

Hon. Pierre S. Pettigrew: Mr. Speaker, I do not think they have any interest in replies. It seems to me that the Bloc Québécois members are pretty nervous today, because of the Landry budget, which is going to tell us how the \$1.4 billion in equalization payments—

Some hon. members: Oh, oh.

The Speaker: The hon. member for Macleod.

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[English]

HEALTH

Mr. Grant Hill (Macleod, Ref.): Mr. Speaker, yesterday the former health minister in France was convicted in France's tainted blood scandal. He was convicted because he allowed dirty blood to be used when safe blood was available in 1985.

How can Canada's health minister continue to not consider compensating before 1986 when other countries are actually convicting politicians in that same time frame?

Hon. Allan Rock (Minister of Health, Lib.): Mr. Speaker, the member might know that the RCMP is investigating the events of 1984, 1985 and 1986. That whole period is in question. I am certain that when the RCMP has completed its investigation, it will respond appropriately.

Mr. Grant Hill (Macleod, Ref.): Mr. Speaker, the French health minister was convicted of using unsafe blood when safe blood was available in 1985. Justice Krever pointed out that exactly the same thing happened in Canada.

Is this the reason the health minister is not compensating those victims prior to 1986, because the government is running afraid of its own personal accountability in the same time frame? Is that the reason?

Hon. Allan Rock (Minister of Health, Lib.): Mr. Speaker, the member would do well to await the RCMP investigation of the events in the mid-80s.

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[Translation]

QUEBEC CITY AIRPORT

Mr. Michel Guimond (Beauport—Montmorency—Côte-de-Beaupré—Île-d'Orléans, BQ): Mr. Speaker, as a member from the Quebec City area, I contacted the acting manager of the Quebec City airport to discuss a matter of public interest.

Oral Questions

This senior official told me that a directive from the office of the Minister of Transport prevented him from answering my questions on the airport.

Could the minister tell us if this is indeed the case? Did he in fact issue such a directive to his officials and to the airport manager to prevent them from answering legitimate questions from elected officials?

Hon. David M. Collenette (Minister of Transport, Lib.): Mr. Speaker, I was advised there had been a misunderstanding, and we have corrected the situation. I regret the inconvenience to the hon. member.

* * *

[English]

TAXATION

Mr. Paul Szabo (Mississauga South, Lib.): Mr. Speaker, like many of my colleagues, I have fought for several years on behalf of the Canadian family. However, I will vote against the Reform motion tonight because I feel that its approach is too narrow and because the issue requires broader examination.

Will the Minister of Finance assure this House that the issue on how best to provide support and tax relief for Canadian families, whether they be single or dual income families, will get comprehensive examination and full consideration?

Hon. Paul Martin (Minister of Finance, Lib.): Mr. Speaker, we all recognize and thank the member for the commitment that he and in fact all the Liberal caucus members have shown in support of the needs of families.

The Reform Party would like us to believe that this is a simple problem with a simple solution. It is not. Therefore it is important to examine all of the tools that are available to us, whether they be tax relief or other initiatives in other areas, in order to provide needed relief for Canadian families. That is why I have asked the Commons all-party finance committee through its chairman to examine this issue and to offer its recommendations.

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NUCLEAR WASTE

Mr. John Cummins (Delta—South Richmond, Ref.): Mr. Speaker, yesterday the resources minister was in denial about his plan to fast track the burial of 30,000 tonnes of nuclear waste without public consultation. It gets worse. The secret cabinet memo provides government with a plan to avoid liability for the cost of cleanup should something go wrong.

Why did the minister think he could just walk away from his responsibility?

• (1445)

Hon. Ralph E. Goodale (Minister of Natural Resources and Minister responsible for the Canadian Wheat Board, Lib.): Mr. Speaker, again the premise to the question is totally misplaced. The policy framework announced by this government two or three years ago clearly acknowledged that the financial responsibility should rest properly with those who create the waste, the owners and the producers of the waste. That is where the burden should fall, not on the taxpayers of Canada.

Mr. John Cummins (Delta—South Richmond, Ref.): Mr. Speaker, let us cut to the chase on this issue. This minister took a plan to cabinet on how to avoid public consultation on the disposal of nuclear waste. He took a plan to cabinet on how to avoid liability for nuclear waste storage if something should go wrong. He took a plan to cabinet and then he forgot about it. Did this minister really think he could get away with it?

Hon. Ralph E. Goodale (Minister of Natural Resources and Minister responsible for the Canadian Wheat Board, Lib.): Mr. Speaker, the preamble and the allegations in the hon. gentleman's question is a crock of horse feathers. The facts of the matter are that we had a comprehensive environmental study conducted by Seaborn, we have responded in detail to that report by Seaborn, and that is based upon full, open, transparent, public consultation in the public interest.

Mr. Rick Laliberte (Churchill River, NDP): Mr. Speaker, the Minister of Natural Resources has indicated that we must address the precarious issue of nuclear fuel waste. We understand that the desire of the minister is to allow industry to manage the control of nuclear fuel waste in this country. The Seaborn panel clearly stated that a waste management organization at arm's length from industry is required. Will the minister assure Canadians that the panel report will not be ignored and that an independent waste management organization will be his government's priority?

Hon. Ralph E. Goodale (Minister of Natural Resources and Minister responsible for the Canadian Wheat Board, Lib.): Mr. Speaker, we said in response to the Seaborn recommendations that it is fully the responsibility of the utilities and the other owners and producers of the waste in Canada for the waste management organization.

We also said in our response to Seaborn that that is subject to federal oversight and regulatory provisions, including if necessary the implementation of new legislation to make absolutely sure that the waste management organization discharges its responsibilities in the public interest.

Mr. Rick Laliberte (Churchill River, NDP): Mr. Speaker, my question is for the Prime Minister. The minister has two major responsibilities in this country, the AECB and the AECL. We are all very aware that the AECB has regulatory responsibilities that are in direct conflict with the industry proponent, AECL, a major

stakeholder in the future development of nuclear waste. But Canadians are confused. Who does what?

Will the Prime Minister relieve the obvious conflict within the Ministry of Natural Resources and transfer the regulatory mandates of all nuclear waste to the Department of the Environment?

Right Hon. Jean Chrétien (Prime Minister, Lib.): Mr. Speaker, in my judgment the system works very well, but I will look, if it is needed. At the end of the day the government will have to decide, whoever is the minister who will handle the file. At the end of the day the government will have to decide what to do. Changing one organization and sending it to another department does not relieve the government from making the final decision.

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[Translation]

GOVERNMENT EXPENDITURES

Mr. Gilles Bernier (Tobique—Mactaquac, PC): Mr. Speaker, I realize that nowadays it is impossible to conduct business without a telephone. But I was astonished to learn recently that the Minister of Public Works and Government Services had bought satellite telephones for various departments at a cost of \$5,000 each. It was such a good deal that he decided to buy over 200 sets, at a cost to taxpayers of over \$1 million.

I wonder whether the minister could tell Canadians why the government needs to buy new telephones at \$5,000 each?

Hon. Alfonso Gagliano (Minister of Public Works and Government Services, Lib.): Mr. Speaker, Canada is a country with scattered and remote areas. Often, people living in the north for example need special telephones.

To my knowledge, my department has bought only five telephones to date.

• (1450)

[English]

Mr. Gilles Bernier (Tobique—Mactaquac, PC): Mr. Speaker, I paid \$79 for the phone I have at home and I would be more than happy to give the minister the name and address of the store where I bought it.

Not only public works but foreign affairs too has paid \$1.1 million for new phones and satellite time. They expect the phone system to fail on January 1, 2000 because of the Y2K bug. The only problem is that these phones are not Y2K compliant.

What is the minister going to do now that he has paid for hundreds of phones at \$5,000 apiece when he may not be able to use them because they might not work?

Oral Questions

Hon. Alfonso Gagliano (Minister of Public Works and Government Services, Lib.): Mr. Speaker, I repeat that we needed special cellular phones and those are the type we bought.

I know for example one member of this House who has such a phone. I do not know what the member is making all the fuss about.

* * *

[Translation]

WOMEN'S HEALTH

Ms. Raymonde Folco (Laval West, Lib.): Mr. Speaker, my question is for the Minister of Health.

Since this is International Women's Week, could the Minister of Health tell the House what Health Canada has done to improve the health of women in our country?

Hon. Allan Rock (Minister of Health, Lib.): Mr. Speaker, Health Canada is working on many fronts to meet women's health needs.

For example, we have set up five centres of excellence for women's health in order to identify the best means of meeting their needs.

We are continuing our fight against breast cancer. We are also continuing our efforts to eliminate family violence, our anti-smoking campaign—

The Speaker: The hon. member for Skeena.

* * *

[English]

ABORIGINAL AFFAIRS

Mr. Mike Scott (Skeena, Ref.): Mr. Speaker, my question is for the Deputy Prime Minister. Recent press reports indicate that this government intends to introduce legislation for the Nisga'a treaty within the next two or three weeks. Yesterday the Deputy Prime Minister implied that this was not the case.

Will the government commit here and now to withhold Nisga'a legislation in this House until the people of British Columbia have given their democratic consent to the deal, yes or no?

Hon. Herb Gray (Deputy Prime Minister, Lib.): Mr. Speaker, yesterday the hon. member incorrectly alleged that the government was trying to rush this legislation through the House.

I simply reported factually to the hon. member and the country that this measure had not received first reading. It was not introduced in the House and debate had not begun.

The hon. member was wrong yesterday and he is wrong today.

*Oral Questions**[Translation]***WAYAGAMAK PLANT IN TROIS-RIVIÈRES**

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

The management of the Wayagamak plant in Trois-Rivières has indicated that this plant is on life support and its 700 jobs are on the line.

Given that the plant is in the Mauricie, in the region represented by the Prime Minister, could he tell us whether he intends to make every possible effort to save these jobs?

Hon. Martin Cauchon (Secretary of State (Economic Development Agency of Canada for the Regions of Quebec), Lib.): Mr. Speaker, we are indeed aware of the situation with this plant, which is located in the hon. member's riding.

No one in the company has yet contacted a representative of government or me, specifically, with my responsibility for economic development.

If officials come to us, we will see what we can do within the regular programs, but for the time being, with respect to subsidization, I must say that government assistance is first and foremost provided in the form of refundable contributions. However, my office door is always open to all businesses.

* * *

*[English]***NUCLEAR WASTE**

Mr. Bill Blaikie (Winnipeg—Transcona, NDP): Mr. Speaker, the secret cabinet document which everybody seems to have except the Minister of Natural Resources, which I would gladly table for him later, references the fact that the layoffs at Whiteshell Laboratories in Manitoba have jeopardized the ability of the government to deal properly with this issue.

Will the minister commit to postponing the remaining layoffs in Pinawa? Will he also assuage the fears of residents in that area, given the presence of the underground research laboratory at Lac-du-Bonnet, that the area will not become the site of any future nuclear waste dump?

Hon. Ralph E. Goodale (Minister of Natural Resources and Minister responsible for the Canadian Wheat Board, Lib.): Mr. Speaker, the facility at Pinawa has provided very useful research activity over the year with respect to a variety of important initiatives. It is obviously going through a period of transition.

We have provided some adjustment tools through Natural Resources Canada and through the department of western diversification to ease the transition as AECL reduces its level of activity at Pinawa.

• (1455)

In terms of the future, there is I believe a provincial government law that would establish the prohibition to which the hon. gentleman refers.

* * *

*[Translation]***ROYAL CANADIAN MOUNTED POLICE**

Ms. Diane St-Jacques (Shefford, PC): Mr. Speaker, according to increasingly persistent rumours, the restructuring of RCMP personnel may result in the dismantling of the Granby, Drummondville and Saint-Hyacinthe detachments.

This has mobilized all local and regional parties affected by the increase in crime that such dismantling could entail.

Could the Solicitor General tell us whether this scenario is currently contemplated and, if so, can he assure us that he will consult all interested parties before dismantling these detachments?

[English]

Hon. Lawrence MacAulay (Solicitor General of Canada, Lib.): Mr. Speaker, on this specific issue I do not have the answer. However, I can assure my hon. colleague that we have and will be giving the RCMP the proper tools to do their job.

* * *

THE ENVIRONMENT

Mr. Joe Jordan (Leeds—Grenville, Lib.): Mr. Speaker, my question is for the Minister of the Environment.

There has been some criticism that the recent federal budget all but ignored environmental issues.

For the benefit of the House, could the minister respond to this rather misguided criticism?

Hon. Christine Stewart (Minister of the Environment, Lib.): Mr. Speaker, the environment is a very important issue for the government.

We recognize that improved environmental health is not only good for the environment, but for human health.

This year's budget contributes \$42 million to allow the government to respond and renew the Canadian Environmental Protection Act by assessing the 23,000 substances now in use in Canada and

by regulating those that are found to be toxic. It contributes \$12 million to the creation of a new biosphere reserve in Clayoquot Sound. It contributes additional money from the \$150 million assessed last year to deal with climate change issues.

Not only is the environment recognized as important, this year—

The Speaker: The hon. member for Calgary Southeast.

* * *

TAXATION

Mr. Jason Kenney (Calgary Southeast, Ref.): Mr. Speaker, yesterday the minister responsible for the status of women followed the lead of the junior finance minister and suggested that single income families are actually further ahead under the current system, ahead of dual income families.

I have a very simple question. Does the minister for the status of women not recognize the opportunity cost and the forgone income absorbed by single income families? When she said that we should consider raising the child care tax deduction, does that represent the policy of her department and the government? Will that be the policy reflected in the report of the finance committee hearings?

Hon. Hedy Fry (Secretary of State (Multiculturalism)(Status of Women), Lib.): Mr. Speaker, I actually said no such thing. It is so typical that very complex issues are always misunderstood by the people on the other side of the House.

Instead of pitting, what I did was point out that income tax was not the only thing that affected the overall income of families. That is what I said.

What is important is that instead of pitting families against each other, which is something the Reform Party loves to do, pit people and divide them, let us look at ways in which the government is trying to assist—

The Speaker: The hon. member for Portneuf.

* * *

[Translation]

RADIOACTIVE WASTE

Mr. Pierre de Savoye (Portneuf, BQ): Mr. Speaker, Quebecers and Canadians have paid for much of the network of nuclear plants in Ontario.

The *Globe and Mail* today revealed that a secret government report estimates the cost of disposing of radioactive waste, 90% of which comes from Ontario, at \$11 billion.

Oral Questions

After paying for the Ontario network of nuclear plants, should Quebecers and Canadians expect to have to pay for the disposal of Ontario's radioactive waste as well?

[English]

Hon. Ralph E. Goodale (Minister of Natural Resources and Minister responsible for the Canadian Wheat Board, Lib.): Mr. Speaker, it is obviously the intention of the government that the utilities that essentially create the waste material should be responsible for its disposal.

According to Seaborn, about 87% of that waste comes from Ontario Hydro, about 6% comes from New Brunswick Power, about 5% comes from Hydro Quebec and about 2% from the research operations at AECL.

We have invited the utilities to work on the development of the appropriate waste management authority and it would seem that it would reflect the proportionate shares of the problem.

* * *

ABORIGINAL AFFAIRS

Ms. Judy Wasylycia-Leis (Winnipeg North Centre, NDP): Mr. Speaker, speaking about families in need, I would suggest that the government hightail itself up into some of our northern remote first nations communities to witness for itself just how anti-family some of the government's policies actually are.

Members of the government should go to communities like Pukatawagan in Manitoba where the government's transfer of health care programs is nothing more than a dump and run approach.

• (1500)

I ask the Minister of Health when will this government start to negotiate health care agreements with our aboriginal communities based on true needs—

The Speaker: The hon. Minister of Health.

Hon. Allan Rock (Minister of Health, Lib.): Mr. Speaker, I have been to those communities. I have seen for myself the importance of working to keep families together and meeting the health care needs of first nations. That is the very reason that this government in the budget included well over \$200 million for aboriginal health, including over the next three years about \$190 million that will be devoted among other things to community and home care for aboriginal and first nations on reserves and in their communities so families can stay together while people recover from illness and while they are treated for disease.

That is the approach of this government, to support families and first nations and their communities.

*Government Orders***POINTS OF ORDER**

TABLING OF DOCUMENTS

Mr. Monte Solberg (Medicine Hat, Ref.): Mr. Speaker, during question period the Minister of Finance quoted from a document. I wonder if he would table that document now.

The Speaker: The hon. Minister of Finance is here. Did he quote from a document?

Hon. Paul Martin (Minister of Finance, Lib.): Mr. Speaker, I gave a quote that was taken from a document, yes.

The Speaker: Does the hon. minister have the document present? If he quoted directly from the document and if he has it here could he please table it.

Hon. Paul Martin: I will get the original document, Mr. Speaker, because I have notes on this. I would be more than happy to get the original document and table it.

Mr. Monte Solberg: Mr. Speaker, we will decline the minister's generous offer. We would like the one he quoted from during question period.

The Speaker: I put this question to the minister. Was the minister referring to notes or was he referring to a document?

Hon. Paul Martin: Notes, Mr. Speaker.

The Speaker: The Minister has said he would table the original document. That is what the House is entitled to. The House is not entitled to the notes of the minister. He has said he will table the document and he will do that at the earliest time.

Mr. Eric Lowther (Calgary Centre, Ref.): Mr. Speaker, on a similar point of order, the finance minister quoted me as the member for Calgary Centre and some documents he had here. I just want to make sure that whatever he is tabling does include references to what he is alleging I said because I am not confident that what he has alleged is accurate. I would like to see the original documents.

• (1505)

The Speaker: I would have to review the blues to see if the minister did indeed quote the hon. member directly. Would he care to comment?

Hon. Paul Martin: Mr. Speaker, the comment was from *Hansard*. I would be delighted to table *Hansard*.

The Speaker: If the hon. member was quoted in *Hansard* that is an official document of the House. If that is where he was quoted from that would end it there.

Mr. Eric Lowther: Mr. Speaker, I suggest the hon. finance minister misquoted me in question period today, if in fact he quoted

from *Hansard*, particularly in one of the quotes. I request that misquote be withdrawn.

The Speaker: Let us check *Hansard* and see what was said. If necessary I will come back to the House.

GOVERNMENT ORDERS

[English]

FEDERAL-PROVINCIAL FISCAL ARRANGEMENTS ACT

The House resumed consideration of the motion that Bill C-65, an act to amend the Federal-Provincial Fiscal Arrangements Act, be read the third time and passed.

Mr. Deepak Obhrai (Calgary East, Ref.): Madam Speaker, I will be sharing my time with my colleague from Nanaimo—Cowichan.

I rise again to speak on Bill C-65, the renewal of equalization payments. I have been sitting here all day listening to government speakers on this debate. What I have found is that they have refused to answer the questions that my colleagues and I have put to them throughout this debate.

We have listed our concerns point by point on this bill in reference to equalization payments. What we are hearing from the government side is the usual status quo or do nothing approach this government is becoming famous for.

The concept of equalization is not under challenge. We all understand and agree with the concept that Canadians are willing to share with their fellow citizens their good fortunes.

We have concerns and we have been saying them throughout this debate. Let us start with what the auditor general has been saying. In the auditor general's 1997 review he said that parliament is presented with the legislative proposals any time from a few months to a few weeks before an approval is required.

What is a problem is that parliament is not given adequate time to review this legislation. What is even more of a concern is that equalization makes up 8% of of all federal spending. We as custodians of taxpayer dollars need to debate the effectiveness of all legislation where taxpayer dollars are involved.

• (1510)

Here we have a program in front of us that uses 8% of all federal program spending and what do we get? We get probably three business days' notice or maybe a month's notice to look at this program. That is not transparency or accountability.

Bill C-65 from our point of view is an extremely flawed process. All my colleagues have been talking about their concerns. I was

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quite surprised to see the Conservatives showing the same concerns that we have despite the fact that at one point they formed the government and did not do much about this program. They have pointed out, as we have, the flaws in the legislation, the problems with this bill.

Let us talk a little about what concerns us, the formula. They have not told us what the formula is. We do not understand this formula. Who understands this formula, by the way? It is a formula that is supposed to create equality in Canada. That is funny, a formula that is supposed to create equality and members of parliament cannot even understand how it is calculated.

My colleague from the NDP this morning said he tried to look at the formula and gave up. We have a formula that nobody understands and it is now becoming even more complicated.

This is a question I am asking the government. Government MPs have been standing up and defending this equalization program with all its greatness, as they say, but they themselves do not understand it. How can they stand up and defend an expenditure when they do not know how it is calculated? This is a weird concept.

Government MPs have given the power to the bureaucrats again. It is the bureaucrats who are running the expenditure, not the House of Commons, not the elected members here. That is what is coming from that side and it makes me concerned and a little sad.

The auditor general has also talked about the formula and has said that he would like this thing to be addressed. The department said it would address the formula issue. It is quite interesting that even the bureaucrats have been struggling with this for 30 years and have had no success. It is becoming a guessing game. This is a cause of concern for everybody because what has the formula created? It has created inequality.

We now have seven provinces that we consider have nots. We have three have provinces. As my colleague this morning pointed out, some of the have not provinces have far more extensive social programs for their citizens than the have provinces, and I applaud them for that, yet they are called the have not provinces. In the have not provinces some of the programs are far superior. Where is this equality?

The whole formula issue was in a study done by Queen's University.

• (1515)

It took only two years to use the formula. After that it was a band-aid solution. The rest of the time the system is driven by various bells and whistles, which means that it is not addressing the real issue. It is at the whim of bureaucrats or at the whim of politicians.

As an example, Newfoundland Premier Tobin's expected deficit budget indicated that it was subject to manipulation. By whom? By bureaucrats and by politicians. Members of parliament who are supposedly the custodians of taxpayers money are unable and cannot find out how 8% of federal spending was spent.

This concept is justified by a very noble statement that services should be equal throughout Canada. It is driven by that statement and that is all it is driven by. After that it is lost in the middle of bureaucracy, in the maze of manipulation and inequality. There is something seriously wrong with the whole concept. That is what my party is challenging, not the noble concept of equalization.

Where are transparency and accountability? As I mentioned, members of parliament see in the budget document that so much money has gone to the have not provinces from the have provinces. It is a very strange concept, as my colleague pointed out, that seven provinces are have not provinces and three provinces are have provinces in a country that has the best standard of living in the world.

There is no accountability. What concerns me is that it is for the next five years. Perhaps government members have a problem. I think that is why they have been ramming through the bill to meet some deadline. They could not come up with a proper review of the formula, but they could have extended it for six months while a parliamentary committee looked into the whole process. All members who have given speeches in the House are in agreement with the concept, so I would not see any problem with all parties studying the issue for the next six months.

Mr. Ken Epp (Elk Island, Ref.): Madam Speaker, I value the intervention of my colleague. He gave some very good insights into the whole process of equalization renewal.

It is very curious that the legislation requires the program be renewed every five years but departmental officials work on the process for approximately two and a half years. We get that from the auditor general's report. The officials work in the back rooms. There are consultations with the provinces, also in the back rooms. However the final say is given by parliament because it is the expenditure of federal money. It is money for which we as members of parliament are responsible.

It is very curious and totally inadequate, even according to the auditor general, that parliament be given so little time. As I mentioned earlier in an intervention, we were given but three working days to study the legislation when it was introduced at first reading. We had no time to look at it in advance. We had no time to study it and look at the different convolutions.

I would like to put on the record of the House of Commons in this short question and comment period something the auditor general has said because I think it is very important:

We believe that the process needs to be opened up to facilitate wider participation in the consideration of changes to such a fundamental program.

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Many interest parties, including some leading academics, have given considerable thought to this program and we believe their views could be useful. The government tried this approach once, in 1981, when it established the Parliamentary Task Force on Federal-Provincial Arrangements (Breau Committee), which focused on all fiscal transfers, including equalization. Its report, *Fiscal Federalism in Canada*, stands today as one of the best public assessments of Canada's fiscal situation.

• (1520)

Then he went on to say that he did not know whether this should be the approach but that it was an effective way of involving parliamentarians. He made the following recommendation:

The Department of Finance should ensure that parliament is consulted in a meaningful way on the periodic renewal of equalization.

My intervention is probably more a comment than a question, but certainly I would invite the member from Calgary to concur with what I just said.

Mr. Deepak Obhrai: Madam Speaker, I have no comment to make. My colleague has very eloquently said exactly what our major concerns have been. I commend him for putting them on the record.

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WAYS AND MEANS

NOTICE OF MOTION

Hon. Alfonso Gagliano (Minister of Public Works and Government Services, Lib.): Madam Speaker, pursuant to Standing Order 83(1), I wish to table a notice of ways and means motion to implement certain provisions of the budget tabled in parliament on February 16, 1999, and I ask that an order of the day be designated for consideration of the motion.

* * *

FEDERAL-PROVINCIAL FISCAL ARRANGEMENTS ACT

The House resumed consideration of the motion that Bill C-65, an act to amend the Federal-Provincial Fiscal Arrangements Act, be read the third time and passed.

Mr. Reed Elley (Nanaimo—Cowichan, Ref.): Madam Speaker, I rise today to debate Bill C-65, an act to amend the Federal-Provincial Fiscal Arrangements Act.

A long time ago a universal question was asked in the biblical story of Cain and Abel: am I my brother's keeper. The answer from the Bible that permeates the social justice system of the western world is yes. Yes, we are our brother's keeper. We have a social and moral responsibility to see that the poor, the less fortunate and the weak in society are taken care of.

Therefore I would not argue that the equalization program is a valued part of the federal-provincial relationship. We have regions of our country that have found greater prosperity than others. They have long been termed the have and the have not provinces. Typically the have provinces have included British Columbia, Alberta and Ontario. The remaining provinces have been given the dubious title of the have not provinces.

As we know, the whole point of the equalization program is to ensure that there is a minimal level of service for all Canadians in all parts of Canada. My time will not be used to refute that premise. While all of us would agree that the premise of equalization payments has long been a part of the Canadian social make-up, the actual process leaves much to be desired.

The minister has shown a complete contempt toward the citizens of Canada, the auditor general and parliamentary procedure. In the auditor general's report the following point was made:

The Department of Finance . . . could use parliament more effectively, soliciting advice from a wider circle of interested parties, rather than relying almost exclusively on the advice of a committee of federal and provincial officials.

This has simply not occurred. As my hon. colleague just pointed out, at the initial introduction of the bill there were only three business days in which to review the documents and to prepare for debate. Reform staff had to ask to receive a briefing from finance officials in order to determine the effects of the proposed legislation. This is not good enough if government is to work for the people.

The equalization program makes up 8% of all federal program spending. A program this large deserves more than just a superficial glance.

• (1525)

I would ask that a review of this procedure take place. The House is to be used as a forum for debate that brings in alternative ideas, constructive criticism and allows the Canadian public full access to the parliamentary process. I do not believe this has occurred.

The Department of Finance has had five years in which to prepare for the legislation. Every five years the legislation must come to parliament to ensure that parliamentarians and indeed all Canadians know what transactions have occurred between the federal and provincial governments.

The auditor general's final concluding remark was that the Department of Finance ought to devote more effort to its relationship with parliament. Parliament is the legislator for the program and the body to which the department and the minister are accountable.

He concluded that in their view this relationship could be used to the advantage of the department and for the betterment of the program. Plain and simply, this has not happened.

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The Minister of Finance and his departmental officials have simply ignored the report of the auditor general in this regard. It is outrageous to think that a minister of the crown can so blatantly ignore the office of the auditor general.

One has to wonder if there is something else amiss. The Minister of Finance knew that the bill must come before the House for debate and final approval by March 31, 1999. Yet he introduced it only weeks before this deadline. The minister and his department have had five years in which to prepare legislation, and yet the House is now asked to rush it through. Unfortunately this happens far too often in this place.

My second point is with regard to the matter of fairness. Currently the equalization payment is made by calculations of 33 different revenue sources. This is an incredibly complex formula. Few people in government truly understand how it works.

The model looks at 33 tax elements of the economies of five provinces and tries to estimate how much revenue the province can raise in each category. For each tax element it then converts each estimate into a per capita figure, totals them and multiplies them by the number of people in the province to arrive at the equalization payment.

Ten provinces have 10 different methods of calculating property taxes, income taxes, resource values and all other calculations that make up the 33 different revenue values calculated in the equalization payment. Where is the fairness in that?

One of the greatest inequities that affects my riding of Nanaimo—Cowichan is the calculation of resources. While it is recognized that the value of the timber harvested in the province of B.C. is greater than that which is harvested in Saskatchewan, the cost of production is not taken into account.

Let us consider the following. According to the Council of Forest Industry the cost of building logging roads in B.C. in 1997 was \$715 million. The cost of building logging roads has risen by 171% since 1992. The equalization formula does not take all this into account. This disparity will continue to grow. Simply the system is flawed.

My third major concern is the incentive to change. The way the system is currently structured there is no incentive to move from a have not province to a have province. For a have not province to increase its tax revenues means that it will turn loose a portion of its equalization payment. In general terms it is easier to accept money from outside the province than it is to raise it within the province itself.

The finance minister and his department have escaped much constructive criticism on this important issue by ensuring that the

process is not transparent or easily understood. The more complex the system, the fewer the number of people who will understand it. The fewer who understand it, the easier it is for the Minister of Finance to subject it to political manipulation.

When a system is complex it is easy to be inaccurate and ultimately unfair. The system can be made much simpler. One such consideration would be to calculate the payments for the equalization program based upon provincial GDP. This would ensure that individual provinces cannot make internal adjustments and therefore add to the revenues from outside dollars. GDPs are not subject to adjustment.

Equalization payments should go to those provinces that require them the most. As one of the richest countries in the world, it is hard to believe that 70% of Canada's provinces are declared to be have not provinces. This simply boggles the mind.

• (1530)

Our system of equalization payments requires a major review and overhaul. At a time when Canadians are expecting to be rewarded for the pain and suffering endured under this government, and arriving at this stage of a balanced budget, this new equalization program will cost taxpayers an additional \$700 million over the next five years. This to me does not appear to be sound fiscal management. This current program pits Canadians in one province against those in another. For all the government says, in reality this program is divisive.

As a whole, Canadians are known to be compassionate, generous and caring for one another. We have seen this time and time again during the past several years with ice storms in Ontario and Quebec and major flood disasters in Manitoba. Canadians all across the country reached out to assist other Canadians in need. They did it without being asked. They did it in their neighbourhoods and from afar because they believe that they are their brother's keeper.

The equalization program does not do this. Surely there are better ways to do business for all Canadians, but the finance minister has chosen an arrogant approach in the handling of this matter. With the inherent problems and inequities that still exist under this legislation, I must oppose it.

Mr. Ken Epp (Elk Island, Ref.): Madam Speaker, I would like to thank my hon. colleague for his speech regarding this bill.

I know the member has a large interest in the funding of health care which has had quite a history in Canada. When our forefathers put our Constitution together, they gave explicit responsibility to the provinces to run the health care system in each province. Over time, particularly in the last 30 years or so, there has been quite a

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shift in this. The federal government originally intervened by paying voluntarily apparently with no strings attached 50% of the costs. It used its spending power to intrude into a provincial jurisdiction. Over the last several years that has eroded. The number which I last heard is 13% of actual costs are covered by the federal government although it continues to tax us the same.

I presume the member has given some thought to how the federal government should be participating in the health care funding. I would appreciate it if he would give us his insight into this and perhaps tie it into the whole idea of equalization. I would like to know from him whether he would like to see the CHST separated from equalization or merged with it, perhaps like the giant HST where the sales tax was merged. Perhaps we could merge the outgoing money, instead of the incoming money and equalize it per capita for each province and territory so that they could provide close to equal services to their people.

I do not know how much thought the member has given to it, but I would be very interested in his response to that question.

Mr. Reed Elley: Madam Speaker, I thank my hon. colleague for his question. I am very interested in the country's health care system.

The federal government in proposing the universal medicare system a number of years ago did indeed shoulder its fair share of the load. At that point it was contributing some 50% of the moneys for health care. Like many other good things that over the years turn progressively worse, the health care system has deteriorated because the federal government has failed to live up to that initial obligation. The hon. member is quite right. It is down to 13% and less now in terms of actual funding.

In terms of equalization payments, what we have here is another inequitable system that is based on a very abstract and complex way of figuring it out. Over the years it has not done justice to balancing across the nation the need for fairness in our taxation system, in the amount of money that government provides for people and for the health care system itself. I would certainly say that the government and all of us as legislators here in the House should be giving far more thought to the reform of this system.

● (1535)

Mr. Ken Epp: Madam Speaker, I rise on a point of order. I am sorry, I thought there was time left for questions and comments. I was giving the hon. member the opportunity to ask a question. I have another question if time permits.

Mr. Dennis J. Mills (Broadview—Greenwood, Lib.): Madam Speaker, I appreciate the opportunity to participate in this debate.

Yesterday when we were debating Bill C-55, that bill which protects this country's magazine industry, I said that I was a passionate interventionist. Today I am happy to see that we have another debate in the House which in essence deals with Government of Canada intervention.

Quite frankly, I believe that the purpose of all of us sitting in the House of Commons is to deal with different levels, different styles of government intervention. I believe our purpose in sitting in the House of Commons is to speak for those people who do not have a voice, to speak for those regions of Canada that from time to time need voices to stand up for them. When I hear debates in the House of Commons where we stand up for people who need a referee in terms of making sure that their needs or their concerns are looked out for, I cheer.

I feel sad when I see an issue like that of homelessness and the Government of Canada is not in a position to respond in a direct way. Some of our listeners and some of the members today might wonder what I mean by that. Over the past few years, in the name of fiscal responsibility we have boarded up Government of Canada instruments, or Government of Canada departments or agencies that allowed us to intervene when we needed things done in the common good.

Homelessness is one of those issues which I think illustrates that by disengaging too rapidly and too radically we have lost our ability to intervene. This problem exists in my city and in other cities across Canada. People are living on the streets. Families, and not all of them are young families, are living in motel rooms.

In my city of Toronto, the richest city in all of Canada, over 1,200 families are living in motel rooms. Think of that. A country as rich as Canada, a city as rich as Toronto, and over 1,200 families with young children are living in motel rooms.

● (1540)

When Canada Mortgage and Housing Corporation, which is a Government of Canada agency, had the national authority to participate in housing requirements in whatever region of Canada, we in this House of Commons could have intervened in a second. We could have fixed that problem. We could have had a national housing policy. But in 1989 we devolved and the government said that it did not want to intervene, that it wanted to walk away. There would be less bureaucracy, less intervention.

This chamber walked away from the responsibility that had been bestowed on the Canada Mortgage and Housing Corporation, a

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Government of Canada crown agency. We walked away saying that we would let the provinces look after it, that we would give them the constitutional authority to deal with that national issue and that we would let them do it by province. That was a mistake.

I said it yesterday and I will say it again today. I believe that the Government of Canada, when there is a national crisis should have the authority and instruments to intervene. I believe in intervention. I believe in it passionately.

It almost makes me sick when I think that we are sitting here with a \$160 billion budget process and we do not have the mechanism or the authority to intervene and look after those families that are living in motel rooms, or that this national chamber cannot figure out a way to get those people who are living on the streets in whatever city of Canada into medical centres where they can be looked after. Most of those people living on the streets in sleeping bags are there more through a mental health condition than anything else.

When I see the bill in front of the House today talking about equalization, I cheer. The essence of the country is that those who are advantaged must look out for those who are disadvantaged. There are regions of Canada that have extraordinary wealth and resources. We are here in this chamber to make sure that all members of the national family have access to the total riches of Canada.

I hear the opposition talk about less government intervention and interference. That is an abdication of our responsibility in this chamber. We are not in this chamber to speak for the advantaged. We are not in this chamber to speak for those people who can look after themselves. We are here for the exact opposite reason, generally speaking for those people, regions or situations where government intervention is required, because the voice of those people or the message of those situations is not getting through. We are here to make sure that it does.

We could have an honest disagreement on levels of intervention and types of intervention, but let us at least agree that the essence of the responsibility we share in this chamber is government intervention. We should not be shy about it. We should not run from it. We should be proud of it. This is something that I could never understand about the Reform Party.

• (1545)

Many members of the Reform Party come from the province of Alberta and other regions of the west. Historically, government intervention at all levels, but certainly at the national level, played a tremendous role in building the fabric of western Canada from

the railway through to the oil and gas business through to the wheat board and all of the areas that are considered to be the jewels of the west.

The sectors of the western economic fabric were reinforced and embellished because of Government of Canada intervention, intervention from this Chamber, over the past number of years.

It is a mystery to me when Reform members stand to say “We do not want Government of Canada intervention. Why would we let bureaucrats intervene?” That is really misstating what happens.

Bureaucrats or officials of government do not do things on their own, without direction; they implement the political decisions that are taken in this Chamber. We tend from time to time to knock bureaucrats, but we should not do that. They are there to implement what we ask them to do.

Essentially, if someone is knocking a bureaucrat they are knocking what goes on in this House because they follow the law of the land by department. Those directions come from the laws that are made in this House.

When we cut, cut, cut, our public servants, our officials, cannot do their work because they do not have the resources or the manpower. I will give a specific example.

I remember when the Conservative government came to power in 1984. It said that it would cut the bureaucracy by 10% across the board. In my city we have a huge immigration challenge. When 10% of the bureaucrats were cut from the department of immigration it caused lineups. It caused people to jump the queue. There were no more immigration police. We ended up with people coming in through underground means.

It created a bigger problem in the long run. We were penny-wise and pound foolish. The government wanted to have the satisfaction of saying to the general public “We will cut those bureaucrats”. That was folly because we, the people of Canada, ended up getting a quality of service that ultimately did not serve our community or the country.

We applaud the opposition’s support for the thrust of this equalization bill which is being debated today. However, let us stop knocking government intervention. Let us start celebrating it because that, in essence, is the life of a national parliamentarian.

Mr. Lee Morrison (Cypress Hills—Grasslands, Ref.): Madam Speaker, I have heard some funny things in this House, but the intervention by the hon. member for Broadview—Greenwood in which he suggests that government intervention has been beneficial

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to the economy of western Canada is one of the funniest that I have ever heard.

• (1550)

He referred specifically to the CPR and to the western oil industry. I grant you that the railways in general owed their existence to the intervention of the federal government, but I would also venture to say that the people of western Canada paid for those interventions tenfold, twentyfold, thirtyfold while they were raped by the railways, by the central Canadian establishment sucking the resources out of the west and putting nothing back.

As far as our oil industry goes, the only federal intervention of any consequence that I am aware of in the petroleum industry was the national energy program, which was designed to murder the oil industry in western Canada and very nearly succeeded. We had refugees from Alberta all over the country trying to escape what was done to the industry by the Liberal predecessor to this federal government.

Because the member for Broadview—Greenwood is acknowledged to be quite knowledgeable on taxation, I would like to put a question to him. If we are going to have equalization payments, and I do not think anybody in any party in this House would say that we should not, why do we have to have these dreadful convoluted formulae tying them to God knows what? Why could we not just simply have a transfer of funds, a cheque from Ottawa to the have not provinces based solely on per capita GDP in those provinces and get away from all of this crazy bureaucracy? Why not?

Mr. Dennis J. Mills: Madam Speaker, I thank the member for his questions. I will first deal with the elimination of the cap on CAP in the transfers. I would never have eliminated the cap on CAP. I would have done the equalization in a way that these moneys would have been handed directly by department, by members of parliament in this Chamber so that the Government of Canada presence could have been reinvigorated, especially in the remote regions of Canada.

On this notion of writing a single cheque to the premiers, I would not trust half of them. The notion of them distributing this money is not something that appeals to me. We are here to think in terms of the national interest and they do not tend to think that way.

Let us deal with the member's issue on tax reform. I support every member in this House from all sides and all parties in the idea that the biggest challenge we have in this Chamber is comprehensive tax reform. I think the tax act of this country is a scandal. I really believe that. We have 50,000 cases in front of the courts of Canada on tax challenges and 95% of them are with huge corporations that know how to essentially challenge or rig the system. I pray for the day when we can all come together on that.

The third point was the national energy program. I was working in Ottawa in Mr. Trudeau's office at the time. I think the national energy program was like a crafted jewel.

Some hon. members: Oh, oh.

Mr. Dennis J. Mills: Oh, no, no. The security of supply, the conservation thrust and the Canadianization of our resource related to energy. There were gangster-like tactics being used by the American oil companies to push us around and bully us. Finally Brian Mulroney came in and threw it out the door. It was absolutely scandalous. The national energy program was a jewel, a crafted jewel.

I cannot wait for the debate when we deal with making sure that we manage the sharing and caring of our national water resources in this country. I am deathly afraid that the Reform Party is going to say "Give it away".

The final point has to do with the member's formula of distribution. I believe that was the first point. We can debate the formula, but in essence what we are saying is, let us take those provinces that are haves in terms of cash and distribute to those that are have nots. There is always room for improving the actual formula and I accept the member's point on that.

• (1555)

[*Translation*]

Mr. Jean-Guy Chrétien (Frontenac—Mégantic, BQ): Madam Speaker, at the beginning of his speech, the member for Broadview—Greenwood said that it was up to the government to defend society's weakest members, those without a voice.

He said that over 12,000 families in Toronto were forced to live in motel rooms. Last summer on Toronto's Yonge Street it was impossible to walk 30 metres without running into one or two homeless people begging for money.

Since the Liberal Party to which the member for Broadview—Greenwood belongs took office in 1993, this number has steadily risen. The member said he wanted to defend the homeless, the neediest members of society, those who do not have a voice. Yet his government has slashed provincial transfer payments for health, education and social services by \$42 billion. Obviously, the provinces made cuts in turn, with the result that these people must beg for money to provide for their daily needs, or live in motels.

It is easy for the member to say, and I quote "As we know, most of those people living on the streets in sleeping bags are there more through a mental health condition than anything else". I would agree that some of them have mental health problems, but I would not go so far as to say that all the homeless are so afflicted.

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The current federal government, his government, a Liberal government, has slashed the funding available for the neediest members of society. One example is employment insurance. There was a time when 92% of those who paid EI premiums qualified for benefits. Today, four years after the EI reform, a little over 40% of those who pay premiums qualify; 60% are paying into the plan for nothing.

I wonder whether my colleague, the member for Broadview—Greenwood, would urge his colleagues, the ministers in various departments, to have cabinet amend various pieces of legislation so that the first scenario in his speech would hold, and more importantly, be respected, so that it would not just be idle talk to impress the voters.

Mr. Dennis J. Mills: Madam Speaker, I thank the member for Frontenac—Mégantic for his question.

He is right in his comment about Toronto's homeless. But I made a distinction between those who are ill and those who are homeless.

[*English*]

I want to be very clear that I did not say all of those people who are homeless in motels. I said those people who are living and sleeping in sleeping blankets on the street. There is a dramatic difference and I want the record to show it.

I also want to say to the member that his comments are constructive. I think he is right on the money. If there is one thing I have learned to appreciate about members of the Bloc Québécois is that they are very sensitive to issues that tend to be for those who do not have a voice.

I obviously totally disagree with the hon. member's views on trying to divide the country, but we all know that issue is coming to an end. Separatism is almost dead. But I totally respect his views on speaking out for those who do not have a voice and I will continue to fight within our team to make sure we are more sensitive.

Mr. Keith Martin (Esquimalt—Juan de Fuca, Ref.): Madam Speaker, I want to take issue with the hon. member for Broadview—Greenwood on a number of points.

• (1600)

No one in the House would disagree that there is a need to take care of those less privileged. What we disagree with is creating an institutionalized welfare state in certain provinces by virtue of handouts from the federal government. By doing this, we are entrenching the dependence of these provinces on these equalization payments. What we should be doing is focusing on how we can make have not provinces have provinces.

Since 1957 when this system of equalization payments was created, I would ask the hon. member how many of these provinces have permanently gone from have not provinces to have provinces. There is not one that I am aware of.

We establish a baseline where those provinces that are making less and have less than the other provinces are supported, as well they should. That is fair. However, to engage in the equalization payments that we have now, a system that is unfair and divisive, is something that does not bring the country together but rather separates it.

A fairer measure would be to establish a baseline on which those provinces are not able to manage. They may have fallen on hard times or their economy is not doing as well as it should and their people are suffering. They are able to get handouts from the federal government so that they can share in the same privileges as people in the rest of Canada. That is fair and that is what Canadians stands for. However, to redistribute wealth on some arbitrary level is not fair.

My province of British Columbia is one that constantly gives money to the have not provinces. We do not mind doing that because people in British Columbia care. What they do not want is to give money to provinces that are not have not provinces and have no demonstrable need. There is a convoluted formula made by the federal government where money is redistributed based on the essence of that formula rather than on the need of the people in that province. We need to focus on human need.

Not only do we need to focus on human need but we need to focus on two aspects of that. Everybody in the House would agree on supporting individuals who cannot take care of themselves. That is what is good about Canada. We do not tolerate individuals who, as the hon. member mentioned, are living on the streets through no fault of their own. They may be psychiatric patients who are not well taken care of by the system we have and we want to take care of those people.

We also want to ensure that the people who can take care of themselves have the tools to do that. Investment in the tools and capabilities of individuals to help themselves, as we should be investing in the tools and capabilities of provinces to take care of themselves, is what equalization payments should be all about. That is not taking place.

The auditor general chronically and eloquently gives the federal government and indeed all of us constructive solutions on how we can enable individuals and provinces to be more effective caretakers of themselves. Is this listened to? No, it is not. Despite the fine efforts of the auditor general he is simply not listened to.

The hon. member for Broadview—Greenwood, the finance minister and other members on the other side know very well those suggestions are constructive but they, like their predecessors in government, have turned a blind eye to the constructive interven-

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tions of the auditor general, interventions and solutions that if implemented could dramatically increase the federal government's role and also greatly improve the provinces' roles and capabilities.

The public may not be aware but a minuscule part of the auditor general's report is ever listened and an even lesser amount is ever implemented, which is a profound tragedy. What we need to do is focus on solutions. What should the federal government be doing with equalization payments? The first thing is focusing on how we can give people the fishing rod to fish for the food to take care of themselves.

• (1605)

There are a number of things that can be done. The first thing is deal with the oppressive tax regime we have. This is not something that is just insular but affects our country and its ability to function and be competitive internationally. The hon. member knows this.

This is coming from members of the Reform Party, from other parties, from the public, from other countries and from independent think tanks. They are all saying the same thing. Canada cannot compete because our tax regime is too high, too complex and too oppressive. We can fix the problem. Until we fix the problem, businesses in Canada will be unable to be the best they can be. Let us fix it.

Many constructive solutions have come from this side as well as from backbenchers on the other side such as a flat tax, increasing the basic minimum, decreasing the tax regimes, decreasing the maximum amount and the amount people on the bottom pay.

If we were able to do that we would have more money in the hands of the poorest of the poor. Many would be off the tax roll. The stimulus to work and strive and work harder would come back into the Canadian economy and the high oppressive tax rate that seeks to support the underground economy would be lessened.

If we were able to do that, no longer would we see the best and brightest in our country move south of the border. No longer would we see as many companies going belly up. No longer would we see companies going south of the border not because of a free trade agreement but because they cannot compete when their tax rates are 33% higher than in the United States.

No longer would we see Canadians who love their country asking how they can justify staying in Canada when their income is 44% lower after taxes in Canada than in the United States. They do not go south of the border because of a love of the United States. They go because that country provides them with the greatest ability to be the best they can become, to use the tools and talents they have acquired in the Canadian education system to be effective contributors to an economy. Why do we not change that around so that Canadians can stay in Canada and contribute to our economy?

The longer the government persists in supporting this tax structure, the longer we will see an erosion of our country not only from an economic point of view but from a social perspective.

The more people off work, the greater the demands on our social programs because the greater the erosion of the individual soul, the greater the incidence of psychiatric problems, depression and substance abuse. Interpersonal relationships are eroded in those circumstances. Furthermore, by keeping the tax structures high, we actually decrease the revenues that go into the government's coffers.

Former Prime Minister Mulroney, I believe in 1992, actually decreased the tax rates for a short period of time. What happened? Money came into the public coffers at an increased amount, which meant more money for social programs, more money for research and development and more ability to decrease the tax structure some more. What did Mr. Mulroney do after that? He started on an orgy of taxation. He increased taxes, and as a result moneys went down that came to the public coffers.

Therefore the increased tax rates we have today are harmful on the rich but they are more harmful for those who are poor and underprivileged because they erode the tax base, they erode the power governments have to invest in the programs to take care of those who are most underprivileged. This means less money for health care, less money for education, less money for pensions and less money for support programs for those who are retired and cannot take care of themselves.

Constructive solutions have come from the House and from outside the House. Members from across party lines are literally begging the government to listen to the solutions and implement them.

• (1610)

This is not rocket science. The problems Canada faces are faced by other countries. Look at the Nordic experience. Many Nordic countries have a very large socialist bent, a bent we historically have had.

They came to the realization that they are harming people in their countries, especially those who were most underprivileged. By maintaining the high tax rates Sweden was gutting its own economy. As a result it was forced to drop the tax rates and right now there is a healthier economy.

Look at what happened in Great Britain. The highly oppressive tax regime it had was choking the life out of its economy. The rich do not have to worry. They will just leave. They can manage. It is the poor and the middle class who do not have a choice who are hurt the most by this system of oppressive taxes.

It is a myth that lowering taxes will somehow benefit the rich at the expense of the poor. That is bunk. Lowering taxes helps, above

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all else, the poor and middle class. Furthermore, it can be used to strengthen the social programs we have today.

I implore the ministers across the way to take the experiences of the people in this country and also look at the experiences of other countries, first world nations like ours, that have had similar experiences and have found solutions to their problems.

Another thing the government needs to look at are rules and regulations. When everyone goes back home, to our communities, when we speak to business men and women, what do they say? Beyond taxes, the oppressive rules and regulations choke the ability for them to compete, to actually work.

These rules and regulations are a gordian knot and we need to take a sword and cut it. Good rules and regulations are useful. Bad ones are not. We have this propensity to ask what rules and regulations should we construct now rather than asking what we should do about rationalizing the rules and regulations we have, finding out what we need and getting rid of what we do not. We do not do that.

A very useful project or action by the government would be to commit soon by saying let us take a look at the rules and regulations that the feds have implemented in every single ministry. Look at the rules and regulations and rationalize them. Get rid of the ones that are not necessary and keep the ones that are.

The next thing to do is that ministers bring together their provincial counterparts, sit down at a table and say we are not leaving here unless we decide what we each do best. In other words, ensure that the feds do what the feds do best, that the provinces do what the provinces do best and separate out those rules, regulations and responsibilities.

The longer we maintain the complex and oppressive regime we have now of overlap, when the left hand does not know what the right hand is doing, the longer we maintain a very costly and inefficient system. Remember that with every rule and regulation we have, every time we institute something it may have a benefit but it also has a cost. We have to measure out what the opportunity costs of those are. We have to determine whether the implementation of this rule or regulation is for the betterment of the public and whether that implementation outweighs the cost that will be incurred not only by governments but by the public. In effect they are one and the same.

I implore the government to do that. We have been requesting that for a very long time. It would take strong and innovative leadership to do that but that is a challenge I lay at the feet of the government today. It needs to do that now. Failure to do that is a costly omission that will continue to oppress our economy.

Another thing we have to look at is research and development. I compliment the government over the last two budgets in putting forth money into research and development. It is indeed a good thing. It is one of the pillars of our economy.

● (1615)

A better thing to do is to enable companies to have the money to do that. If companies are to have the ability to engage in research and development, they need the money in their pockets to do so. They want to do it but they cannot. Again it goes back to our tax structure.

The government can also experiment with innovative measures to provide tax credits to companies that engage in research and development. It is very important. I look at the experience south of the border. The government needs to look at what the U.S. is doing to give its private sector the ability to engage in research and development.

Let us look at a micro example, California. We as a country have to do move with the changes in our economy. In many cases we have to move from an economy that is largely resource based to something more. California had a problem. In the cold war it was a primary manufacturer of armaments. It was very important to its economy. California's population is about the same as Canada's.

After the cold war concluded the need for armament went down dramatically. It was faced with a crisis of adaptation, how to adapt to the situation in the short term. California did it through some very innovative measures. I encourage the government to look at them. California is now a world leader in high technology, pharmaceuticals and the service industry. I encourage the government to look at examples like California to see what role government should play in terms of enabling Canada as a nation to move from resource based industries into something else.

I also encourage the government to look at experiences in other countries in various regards. I take one example that is close to my heart because my riding has a large population of fishermen. Fishing, as we currently know, has taken a large hit. We will never be able to go back to the system we had before. Let us look at an innovative way of dealing with that. Rather than pouring money into make work projects for fishermen to clean up areas, projects that give them no long term capability of earning revenue, let us look at ways to give them long term skills.

Norway is a world leader in fish farming. It is not like what was done in southeast Asia which has been very destructive to its environment. We have a superb ambassador in Norway; she is very competent. Perhaps we could use our embassies to find what is best in the countries they are in and to feed that intelligence to our

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country and our leaders. We could discover innovative ideas these countries are employing that will help Canadians.

Many things that have been done in other countries can be employed here. We do not need to reinvent the wheel. The fish farming experience in Norway is something that could be employed not only on the west coast but also on the east coast.

Equalization payments, as I said before, have at times further institutionalized the welfare state in certain regions of the country. We need to be able to give these regions the tools to take care of themselves. Newfoundland is one example of an area that has been devastated in many ways. There is not a lot there, but there are things Newfoundland can do.

We need to look at ways to give the people of Newfoundland the tools to take care of themselves. We should not support areas or regions where there is simply no way the people will survive because the resources and the ability to work are not there. They should be convinced to go into areas where they can work, where they can earn money. They should be given the tools and the resources to make the move, to make the change so that they get off the national welfare rolls and create a way of providing a stronger future for tomorrow.

In closing, I raised a number of points. We do not support the bill because the equalization system is archaic, inefficient, and does not get to the heart of the problem. I encourage the government to look at the ideas that have been put forward by my colleagues in the Reform Party and members in other parties. It should listen to them, adopt them, and use them for the betterment of Canada and Canadians.

• (1620)

Mr. Lee Morrison: Mr. Speaker, I rise on a point of order. We seem to be outnumbered by the pages. Do we have a quorum?

And the count having been taken:

The Acting Speaker (Mr. McClelland): We have a quorum.

Mr. Dennis J. Mills (Broadview—Greenwood, Lib.): Mr. Speaker, I listened to the remarks of the member for Esquimalt—Juan de Fuca. I thought they were insightful. I especially agreed with his notion of comprehensive tax reform. There was not a sentence in the part of his speech that dealt with comprehensive tax reform with which I did not agree.

We should understand and the people of Canada should understand how the system works in terms of moving a government to change its ways. All members have been here for almost two years. In the fall as we led up to the budget preparation period we did not have one opposition day with any tight focus on comprehensive tax reform.

My remarks are intended to be constructive. I was hopeful, when a number of additional members from the Reform Party came here during the last term knowing that they had a huge commitment to comprehensive tax reform, that would be one of the centrepieces of their strategy in trying to mobilize debate and the will to take on the huge problem of changing our cumbersome tax act, which is inefficient and does not work any longer.

It is important to suggest to members in opposition that it is not enough for one, two, three or four members to speak to comprehensive tax reform as the member did. As I say I agree with every sentence in that regard, but we have to mobilize at least 100 or 140 members in here.

An hon. member: That is what we are trying to do.

Mr. Dennis J. Mills: I am doing my best on this side of the House but it is a heck of a lot tougher when in government to move the will of the system. Challenging the government is a core responsibility of the opposition side. I hope the speech of the member for Esquimalt—Juan de Fuca is the beginning of a long, focused and forceful debate from the opposition on comprehensive tax reform.

He will find there are probably about 25 or 30 members on this side of the House who share the notion that what we need more than anything now is to fix the rotten tax act.

Mr. Keith Martin: Mr. Speaker, I thank the hon. member for Broadview—Greenwood for his insight. He has been as leader in tax reform in the House. I know members across the way would be very interested and very open to having members from this side, in particular our finance critic, the member for Medicine Hat, work with them on establishing tax reform. In fact the member for Medicine Hat has worked for a very long time in putting forth constructive solutions to the government on how we could fix it.

I challenge the government, members of the public, members of the private sector and companies out there to send their constructive solutions to the Prime Minister and the Minister of Finance on comprehensive tax reform. As the member for Broadview—Greenwood mentioned, I look forward to bringing together a group that has the ardent ear of the Prime Minister, that will listen and act on the constructive solutions which will be placed before it in the very short term.

• (1625)

Mr. Ken Epp (Elk Island, Ref.): Mr. Speaker, I appreciate the opportunity to engage in this debate. It has been interesting today because I think we all recognize that what is happening here is not good enough.

In general there is an inadequate explanation from the finance department to parliamentarians of what we are voting on today. Most members do not understand how the equalization system

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works. I rather doubt that most government members know how it works. Yet they will be told how to vote and that is what will happen.

I have a question for my colleague who gave a very good intervention that has to do with the debate between him and the member for Broadview—Greenwood. The member for Broadview—Greenwood said explicitly that he was a passionate interventionist. That is a quotation from *Hansard* yesterday. He said the same thing today. He said he believed in intervention and believed in it passionately.

The equalization payment system takes through taxation money from people in all provinces and distributes it to seven provinces. The result is that the federal government, by intervening in this way, lands up taking money that is paid by poor people in one of the three have provinces and distributing it per capita to people who are very well off in the have not provinces. We have a government intervention that effectively transfers money from poor people to rich people in different parts of the country.

An hon. member: Oh, come on.

Mr. Ken Epp: That is accurate. The member opposite is questioning this point. I have studied it. I have been up to my ears in equalization. This actually happens. It is a fact because equalization is based on a per capita computation.

I would like to give my hon. colleague from the Reform Party who just spoke an opportunity to reinforce in the mind of the member from Broadview—Greenwood that not all government intervention goes in the right direction.

Mr. Keith Martin: Mr. Speaker, I thank my hon. colleague from Elk Island for that intervention. Intervention can be done in two ways. It can be done with a view toward the needs of the people involved or it can be done in a way that can be destructive. Intervention should be done on the basis of true need. Every intervention has an opportunity cost. The cost, as I mentioned in my speech, is money.

If we are to intervene, will that intervention benefit the Canadian public or cost us more than the actual intervention? We do not disagree with equalization, but we disagree that equalization must be done on the basis of true need. We cannot do it under some complex formula which nobody understands. Rather, the intervention has to take place on the basis of the need of the people, not on the basis of the fact that we want to somehow equalize all the provinces. That is very destructive and in fact counteractive in the long term.

We need to ensure that whatever moneys will be spent by the federal government will help individuals in need and, more important, will help them help themselves.

Hon. Don Boudria (Leader of the Government in the House of Commons, Lib.): Mr. Speaker, I rise on a point of order concerning an amendment that was offered to the House earlier this day by the hon. member for Kings—Hants which asked that we refer Bill C-65 back to a committee of the whole.

I respectfully submit to the Chair that this is impossible. Bill C-65 was considered by the Standing Committee on Finance and not by a committee of the whole. While the authorities make it clear that if otherwise in order an amendment may be offered at third reading that would recommit the bill, there is no possibility indicated of proposing an amendment to commit a bill to a committee that never considered the bill in the first place.

● (1630)

Such is the result of the motion offered to us today. In other words, a bill cannot be recommitted to a committee that never considered the proposition at all. That is what the amendment offered to the House earlier this day purports to do.

I verified earlier this day whether I could rise on a point of order now notwithstanding the fact that the Chair had received the motion. I have been informed that it is in order to bring it nonetheless because we have not yet arrived at the stage where the motion is actually put. That will occur only at the end of the debate.

I wish to draw attention to citations 731 and 737 of Beauchesne's to support my argument. Section 731 refers to amendment on third reading:

When an order of the day for the third reading of a bill is called, the same type of amendments which are permissible at the second reading stage are permissible at the third reading stage with the restriction that they cannot deal with any matter which is not contained in the bill.

In other words, we cannot introduce a new proposition. Citation 737 of Beauchesne's says in part:

Any member may move to recommit a bill for one of the following purposes:

(a) to enable a new clause to be added to the bill when the House, on report, has passed the stage at which new clauses are taken.

In other words, we have passed report stage and at third reading the purpose would be to try to get that back in.

(b) to enable the committee to reconsider amendments they had previously made.

The committee had not previously dealt with any amendments so this is not applicable in terms of reconsideration. In any case, all this applies only to a motion that is recommitted to the original committee that had received the original proposition.

My point is what occurred today does not satisfy that threshold and therefore the amendment, I contend, is out of order.

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Mr. Peter MacKay (Pictou—Antigonish—Guysborough, PC): Mr. Speaker, I rise in response to the arguments put forward by the learned government House leader and to respond most directly to his arguments. I suggest the words “recommit” in this instance and “referred back” can be construed much the same.

More important, I think the intent of the word here is to refer back or recommit to a stage of the proceedings as opposed to the inference that it is a reference back to the actual committee.

In any event, we are suggesting that the original ruling is in order, a ruling made by Mr. Speaker. You are essentially being asked by the government House leader to sit in judgment of yourself or to overrule yourself. We all know that you are very able and no one is questioning your ability. You are being asked to be a court of appeal for your own ruling.

The more important instance here is that this intent is to go back to a stage as opposed to sending it back to the finance committee. The intention here is that it is to go back to committee of the whole. The reference in Beauchesne’s 737(1) is:

A bill may be recommitted to a committee of the whole or to a committee by a member moving an amendment to the third reading motion.

I suggest this is very much in order and that Mr. Speaker’s original ruling was the correct one. Therefore I want to also indicate this is not a dilatory motion. It is not the intent of the mover of the motion or the party of the mover of the motion that this be dilatory or that this hold up the bill. That is not our intent. We want the provinces to get their money.

• (1635)

We want this equalization bill to pass through the House. I suggest further that, as a result, this will not add time to the mix. This would be voted on at the same time as the main motion.

Mr. Speaker, your original ruling I suggest was the correct one. In your wisdom, I think you ruled correctly on the original occasion when this was before the House. I encourage you to re-embrace that original ruling.

The Acting Speaker (Mr. McClelland): I certainly thank the hon. member for Pictou—Antigonish—Guysborough for his vote of support. I assure him also that this will not be the first or the last time I will be reconsidering something I may have done or said. I am used to that.

I was given prior knowledge that this point of order was to be raised. It was considered by the Speaker and also by the Clerk who is far more learned in these matters than any of us assembled here with the possible exception of the government House leader and the hon. member for Pictou—Antigonish—Guysborough.

I have consulted with the Clerk and I want to make it clear that the Chair did not rule on the amendment this morning. The amendment was accepted but I did not rule on it.

The government House leader has very correctly pointed out that the interpretation of Beauchesne’s is that it would go back to the committee from whence it came. Therefore the amendment as presented this morning is not in order.

ROUTINE PROCEEDINGS

[English]

COMMITTEES OF THE HOUSE

ENVIRONMENT AND SUSTAINABLE DEVELOPMENT

Mr. Peter Adams (Parliamentary Secretary to Leader of the Government in the House of Commons, Lib.): Mr. Speaker, I rise on a point of order. There has been consultation among the parties.

I think you will find unanimous consent for the following. I move:

That a research officer of the Standing Committee on Environment and Sustainable Development be authorized to travel to Sherbrooke, Quebec, from March 11 to March 12, 1999, for the purpose of participating in the conference: “À l’aube de l’an 2000: Vision d’avenir en environnement” (The Dawn of the Year 2000: A vision of the Future in Environment).

(Motion agreed to)

GOVERNMENT ORDERS

[English]

FEDERAL-PROVINCIAL FISCAL ARRANGEMENTS ACT

The House resumed consideration of the motion that Bill C-65, an act to amend the Federal-Provincial Fiscal Arrangements Act, be read the third time and passed.

Mr. Dick Proctor (Palliser, NDP): Mr. Speaker, it is a privilege to participate in the debate on Bill C-65 regarding equalization. This is the essence of what makes Canada Canada.

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• (1640)

Earlier today on this main motion the House heard from the NDP finance critic, the hon. member for Kamloops, Thompson and Highland Valleys. He is a very hardworking MP who had requested, in preparation for this debate, to hear from provinces as to their views and comments on the new equalization formula. I do not believe that in his remarks this morning the hon. member had time to refer to that except in passing. I would like to speak about how Saskatchewan sees this proposed reform on equalization.

The formula is that a maximum of \$5,431 per resident to fund public service is the essence of the equalization formula. From Saskatchewan's perspective, the net effect will not be terribly significant. Saskatchewan wins in some areas and loses in others or, as an acquaintance from Australia once said, what they win on the merry-go-round they lose on the ferris wheel.

However, on the whole the revision is seen to be positive. For example, for the year 1999-2000 the province of Saskatchewan's entitlement may increase by about \$3 million. This of course depends on the range of economic variables, particularly the price of oil futures.

Just as an aside, the World Bank outlook for commodity prices is not very encouraging for the next decade or so, and Saskatchewan is a resource based province that depends largely on the export of primary resources as are a number of other provinces. This impacts very significantly on whether Saskatchewan is a recipient province or indeed a have province. It has been in both categories from time to time.

The Minister of Natural Resources had suggested that Saskatchewan would be receiving a significant upturn in equalization and offset the 40% share of the province's entry into the agriculture income disaster assistance program. This is simply not true. I have mentioned \$3 million for 1999-2000. The maximum calculation by the province's minister of finance would be \$45 million over five years as a result of this new formula. It would barely cover the proposed cost for Saskatchewan for the agriculture income disaster assistance program for one year.

As a second aside, I want to again be on the record to talk about the basic unfairness in the AIDA program. Provinces are being asked, requested, forced to pay up to 40% for this income assistance when at the same time states such as North and South Dakota, Minnesota and Montana are not asked to pay any sort of money to help farmers on that side of the 49th parallel because their contributions are being paid by the national government in the United States. Here the provinces are requested to kick in 40%.

It is simply not fair to expect a small province like Saskatchewan, or Manitoba for that matter, both of which have high proportion percentage of the arable land base and a relatively small percentage of the population, to fund that kind of program.

On the equalization program itself, as I have indicated, Saskatchewan is in favour and is also in favour of moving to a ten province standard rather than the current five province standard. We believe this would advance the goal of providing quality programs at reasonable costs. We also favour a shorter transition period of probably two years rather than the current five years.

• (1645)

It is important for all of us to keep in mind that equalization is to maintain a relatively level playing field in terms of ability to provide programs and services. Generally speaking the payments go up to an individual province when its revenues are experiencing a decline.

As I have indicated, Saskatchewan has a particular interest in the work done on resource bases and takes the position that recognition of the higher cost of producing so-called new oil would represent an improvement. It is important for Saskatchewan and it is also important for provinces such as Nova Scotia and Newfoundland. A move away from the volume of production to the value on for example forestry would not represent a step backward in any way.

Overall the objective of equalization is not to get every last cent out of each of the have provinces. As I have said before, it is to ensure that all provinces offer a reasonably comparable level of services at roughly comparable levels of taxation.

The program has to be equitable and fair in order to function effectively which means it has to work both ways. Saskatchewan's position is that a change to a value based measurement on forestry does represent an overall improvement.

There is one thing in particular that some provinces such as Manitoba and Saskatchewan are opposed to. That is the changes to the equalization formula for the lottery base. The proposed changes would unilaterally impact on provincial policy decisions. To expand on that, I would use this argument. The choice not to introduce VLTs, which will have a large impact on entitlements, is a policy decision which therefore should not impact on the determination of fiscal capacity.

The government I believe has taken a different approach to this. It has included the new gaming as another new tax base. The argument is that this approach will increase Ontario's fiscal capacity and therefore benefit equalization payments to recipient provinces. A discussion at the finance committee did focus on the fact that Manitoba's population is one of the lowest participants in lotteries and gaming and how this particular low revenue source may be a factor in lower equalization payments for Manitoba. We would question the inclusion of VLTs in the new formula.

However, overall and in conclusion, the NDP caucus members present support Bill C-65 on third reading. It is a step in the right direction, but the important thing is to recognize and realize that it is certainly no windfall for the seven recipient provinces.

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[Translation]

The Acting Speaker (Ms. Thibeault): It is my duty, pursuant to Standing Order 38, to inform the House that the questions to be raised tonight at the time of adjournment are as follows: the hon. member for Cypress Hills—Grasslands, Rural Municipalities; the hon. member for Winnipeg North Centre, Tobacco.

[English]

Mr. Lee Morrison (Cypress Hills—Grasslands, Ref.): Madam Speaker, I would like to hear the comments of the hon. member for Palliser on a couple of things that I picked up on in his speech.

One is the question of the formula. He mentioned several times things that he found good or bad in the formula. I would like to get his party's take on something that has certainly been running through my mind for a long time. That is, it would be very expeditious to simply base the equalization payments on the per capita GDP in each province and not get involved in any way in all this convoluted arithmetic. If we know where the GDP of a province is low and where the GDP of a province is high, we shuffle money from the haves to the have nots. We do not have to go through all this. It is becoming something like the Income Tax Act, totally unintelligible. I would like the hon. member's view on that.

My other question is perhaps a little more difficult because it presumes that the formula is the be all and the end all.

• (1650)

I would like to know what effect that specific land claim settlements will have on the equalization formula with the infusion of federal money to buy the land and the gross distortion of the municipal tax base by the creation of these new reserves. Will this, through the formula, create discrepancies or inequalities that we may not be aware of?

Mr. Dick Proctor: Madam Speaker, I thank the member for Cypress Hills—Grasslands for his two questions.

With regard to why we do not level the formula out and do it on the per capita gross domestic product, I would probably be the last person in the House one would want specific advice from on creating a formula.

I have listened to a lot of the debate today on the formula and it seems to me that it is not terribly relevant. A formula is calculated. When it was first started in the 1950s equalization was based on three variables and now we are up to 33.

I have been involved with fund raising and revenue sharing and sometimes we get into very complex formulas. It is like getting

behind the wheel of a car. I do not necessarily have to know everything about how the motor functions but I know where the key goes, and where the gas pedal and the brake are. What is important is that we have a formula that is overall fair to all of the provinces, both those that are recipients of financial largesse and those that are paying. Perhaps the government would be in a better position to answer specific questions on what the formula should look be.

It is the same with the land claims settlement. I cannot comment on what impact those settlements will have on equalization payments in the future.

Ms. Angela Vautour (Beauséjour—Petitcodiac, NDP): Madam Speaker, I have a question for my colleague about reserves and land claims. Would he agree that if the first nations had not settled and given us their land, that really we would not have the land?

Mr. Dick Proctor: Madam Speaker, very clearly that is the case. It is important when we are discussing land claims settlements that we recognize that. European and American settlers who came to what is now Canada, and my ancestors fall into the latter category having come from Virginia during the war of independence, did not treat our native peoples well. They were pushed off the land or into poor patches of land. Now it is time to redress those historic endemic problems and I think we are trying to do that the very best way we can.

I agree with my colleague from Beauséjour—Petitcodiac that this is something this parliament and indeed provincial and territorial legislatures will have to deal with, with dispatch and with a great deal of sensitivity today and tomorrow.

Mr. Bill Matthews (Burin—St. George's, PC): Madam Speaker, I want to make a few general comments on Bill C-65, an act to amend the Federal-Provincial Fiscal Arrangements Act.

I must say at the outset that I have listened very intently to the hon. members for Broadview—Greenwood, Esquimalt—Juan de Fuca, and Palliser. I found their remarks on this topic to be most responsible and very interesting. After listening to those three hon. members speak, I wonder why we do not find solutions more readily in this House of Commons and why the government of the day does not listen more to what hon. members say about taxation issues and the other issues facing our country.

• (1655)

I come from the province of Newfoundland and Labrador. I have listened with great interest to a number of speakers today. They have talked about equalization, the fairness and the unfairness of equalization. Newfoundland and Labrador has a great desire to be a have province. I remind some of my friends from the west that all of the western provinces were not always have provinces. So the wheel turns and the wheel turns slowly. Some day, please God, Newfoundland and Labrador will be a have province and Atlantic Canada will be a have region.

We have great resources. We have a great natural resource base, as great as any in the country. The province I come from has oil and gas resources. We have a growing oil and gas industry. We have forestry resources. We have one of the richest mineral discoveries in the world at Voisey's Bay which we hope will be developed someday for the benefit of all of Canada but more so for the benefit of Newfoundland and Labrador.

The greatest resource we brought into Confederation when we joined in 1949 was our fishery resource. About 20 years ago the export value of fish products from Newfoundland and Labrador was about \$3 billion. Imagine what that value would be today in 1999 dollars. Of course we are sad to say that successive governments of Canada mismanaged our most important resource. Our groundfish stocks have been practically eliminated and our people have paid a great price.

We can be a have province. It will take very good management decisions on our fishery from now on in to bring that back. We are going to need good decisions on our oil and gas, on our minerals and forestry and so on. We are struggling to become a have province.

I have listened intently to what people have had to say here today. I have listened intently to the equalization debate over the last number of years. What strikes me most about the equalization debate is that yes, we have resources that we are developing in Newfoundland and Labrador but unless we change the equalization formula accordingly, we will always be a have not province. If the federal government is going to knock us back dollar for dollar, for every dollar we get from Voisey's Bay when it is developed, or from our Terra Nova oil field when it is developed, then we are never going to be a have province. These are the concerns of the people of the province I represent. They are my concerns.

Unless there is going to be a significant and substantial change, we are never going to get to the level of other affluent provinces, such as the provinces of our western friends. We have to keep this in mind when we come to this great chamber and debate what should be truly national issues. It is not a regional issue or a provincial issue; equalization is a national issue.

I listened to the three speakers before me. They talked about this great country of Canada, about how caring we are in this country. Yes we are, or some of us say that we are. Sometimes that takes a lot of tolerance, understanding and patience.

I say to all hon. members that the best thing we could do in this chamber, the 301 of us who are here, is to go to the other provinces, the other regions of this country, meet the people and understand their problems and their issues. Then we would all be better versed to stand in this place and make constructive suggestions about equalization, about tax regimes and about every other issue that affects us as Canadians.

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I find too often in this chamber that people bring their own provincial or regional perspectives and biases to the debate. Most times it is not out of general concern for all of Canada and all Canadians. Those were the few general remarks I wanted to make.

● (1700)

I have to say that have I found the debate to be very professional today. There was some great debate between government and opposition members. However, I want to go on record as saying that if we are truly Canadian, and if we come here to espouse a truly Canadian perspective, then let us try to better understand the needs of all Canadians because there are regional differences and regional disparities that still exist big time in the various provinces of this country.

I suggest to my friends from the west that they go to the east to gain an understanding of those problems. I suggest that they not bring western Canadian remedies to the House of Commons which they think are in the best interests of eastern Canada. On the other hand, we should not come here thinking that we know what is best for the west when we do not. I say that with all due respect. Too many times in the last 18 months or so I have heard too many western Canadian solutions for eastern Canada when the people who are proposing them do not truly understand eastern Canada. They do not understand its people, its solutions or its issues.

Let us be tolerant, let us be considerate and let us be ever mindful that all of the provinces which are now affluent, well off and have provinces were not always have provinces. Provinces today which are have not provinces could very well in 10, 15 or 20 years be have provinces, and those which are have now could very easily become have not. Let us not forget that can happen in this great country. Hopefully we will all be caring Canadians, we will be caring parliamentarians and we will do what is in the best interests of all Canadians.

Mr. Randy White (Langley—Abbotsford, Ref.): Madam Speaker, it is rather sad that the individual who just spoke would talk about the west like that. We are all in this federation together. I think he is somewhat missing the point.

Some people in the west wonder why there are people from Atlantic Canada, Quebec and Ontario going to the west on a western alienation committee to determine and tell them how they should feel. There is too much of that in this country, blaming one or blaming the other.

People who stand in the House to talk about the equalization index or any other issue should have the right to do so. They are not just here to talk about their own individual constituency, they are members of parliament who are here to talk about the federation as a whole. I think the member should respect that. It is unfortunate that he does not.

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I ask the hon. member whether he thinks the equalization index in total is reasonable when we have three provinces trying to equalize for the other seven. How is that ultimately going to work given that, for instance, Nova Scotia, with its gas and oil, is coming around to an economic boon? I suspect that Newfoundland is coming around in terms of Voisey's Bay, possible oil production, mining and those kinds of things.

Is it not reasonable to expect that this equalization index would have to change one of these days and that it should not have been brought into the House by this government which had five years to bring the issue here and is now in a damn big rush to have it dealt with in the last few days before it needs it?

Mr. Bill Matthews: Madam Speaker, I thank the hon. member for his comments and his question. However, I do not think that I need a lecture from the hon. member on respect.

I am not saying that I oppose changes to the equalization formula. I am not saying that at all. Yes, he is right about Nova Scotia. Yes, he is right about Newfoundland and Labrador.

• (1705)

My point is simply this. If the government continues to take back, dollar for dollar, any royalties that we get from oil and gas, or from Voisey's Bay, if we ever get to develop it, we will not become a have province. Voisey's Bay is still in the ground. The company paid something like \$4.2 billion for control of the resource, and there is much more than that there.

My point is that there had to be changes. If we are ever going to become a have province, then we are going to have to be able to keep some of the royalties that we get from those resources and not be penalized by the federal government clawing them back. That is my point.

I am not against changing it. I know what the hon. member is saying about three provinces and seven provinces. We want to be a have province.

What I said was out of no disrespect for the west. What I said was that too often in this Chamber members stand in their place who are a little too parochial but think that they understand the problems of other regions and have solutions for other regions when they do not understand the people and they have never been there. How can someone understand the people, their issues and concerns if they do not go to where those people are to gain an understanding of their problems?

Perhaps members could criticize me for not having a great enough understanding of the west. I could probably be fairly criticized for that. However, I am suggesting that if members of parliament are going to recommend solutions for people from other

parts of the country we have to understand the people and the problems before bringing solutions that just do not cut it.

Mr. Charlie Power (St. John's West, PC): Madam Speaker, I must commend the member, for whom I have the highest regard, for his comments about equalization. All of us in Newfoundland are very concerned that these equalization changes could make our lives much more difficult rather than easier.

I want to ask the hon. member if he could clarify a point for us.

Sometimes the laws that we make in this House of Commons are what can make a have or a have not province. For those members from western Canada or Ontario who do not fully understand, Newfoundland has become a have not province because of an act of this House of Commons of 1967 which forced the province of Newfoundland to make a deal only with Hydro Quebec and with nobody else. The Upper Churchill agreement has cost the province of Newfoundland as much as \$700 million per year, every year, during the seventies, eighties and nineties.

An hon. member: Ask Joey Smallwood. He signed it.

Mr. Charlie Power: Joey Smallwood and the Government of Canada. This House of Commons forced the people of Newfoundland into an agreement which was unjust and unfair and we have never been able to change it.

I want to remind the member that the same thing almost happened in western Canada when the national energy program was in place. It almost impoverished the province of Alberta. It could have made it a have not province had it stayed in place much longer.

I want to ask the hon. member if there is going to be some time in history when we could have a moratorium on paying back all of the royalties that we receive in Newfoundland from resource projects until such time as Newfoundland is a have province.

Mr. Bill Matthews: Madam Speaker, I thank the hon. member for his question. For those of us who were involved in bringing the Hibernia project to fruition in Newfoundland and Labrador, we know at that time that there was a similar debate which took place.

The hon. member and I were members of a provincial government at the time and we negotiated an agreement whereby we got to keep a percentage of royalties from Hibernia. If memory serves me correctly, we got to keep about 30%. That has helped us a bit.

Right now we are into the development of Terra Nova and other oil fields. White Rose and so on will come onstream before too much longer. We are going to be a significant player in offshore oil and gas in Newfoundland and Labrador. Hopefully we will have significant mineral developments and mining and the smelting of various ores.

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However, the point is that we should be afforded an opportunity to develop our natural resources and keep enough of our royalties so that over a period of time we will become a have province. That is my point. I think that is basically what the hon. member is asking.

Yes, the federal government should give serious consideration to a formula that would allow us to keep at least a portion of revenues from Hibernia, Terra Nova, White Rose and Voisey's Bay without knocking us back, dollar for dollar, off the equalization formula.

Mr. David Chatters (Athabasca, Ref.): Madam Speaker, I am a little confused about some of the comments the member is making. The proposal is that as the resources of Atlantic Canada are developed, in order to become a have province they should not only keep the royalties from those resource projects but also the transfer payments as a have not province. As an Albertan I would like to know if that thinking would also apply to Alberta, that we could keep the royalties from our natural resources and also receive transfer payments.

• (1710)

They do not seem to work together, in my opinion. I would like the hon. member's comment on that.

Mr. Bill Matthews: Madam Speaker, I thank the hon. member for his question.

Unless things change, we will always be a have not province. If we give someone \$10 and take back \$10, they are no better off.

Mr. David Chatters: How did Alberta become a have province?

Mr. Bill Matthews: Alberta was not always a have province. We are going to be a have province, but we need some considerations from the Government of Canada to get there.

We would love to be a have province. We wish we did not have to come to the Government of Canada looking for five cents. That is our wish, but we are going to need some help and some consideration gradually until we get there. That is what we are asking for. Give us a sliding scale so that it is taken back over time, but at least let us get to that point where we are considered to be a have province and then we will not need as much equalization from the Government of Canada or from other provinces.

That is what we aim to do, but we are going to need some help to get there.

Mr. Howard Hilstrom (Selkirk—Interlake, Ref.): Madam Speaker, I am pleased today to speak to Bill C-65.

When future generations look back at today's *Hansard* they are going to see that the member for Broadview—Greenwood gave a speech in this House and was subsequently followed by the member for Selkirk—Interlake.

The people of Selkirk—Interlake sent me to Ottawa to represent them, to stand up for them and to put their points of view across to the government in a way that it would understand. Some constituents suggested that I take a length of two-by-four or a fence post. I have to say that I declined, but today, after hearing the member for Broadview—Greenwood, I wonder if I should have followed their advice.

That member constantly referred to the west as that remote region, the region out west. The member for Broadview—Greenwood is the epitome of that thinker who says that the centre of the universe is Toronto, the centre of the universe is the Liberal attitude, the arrogant Liberals, the "we will tell you in the remote regions what is good for you" Liberals, the interventionist Liberals. That was his favourite, the interventionist Liberals. I would simply say that the people of Selkirk—Interlake believe that Toronto and the member's riding of Broadview—Greenwood are in fact remote regions to them and we resent being referred to as a remote region.

He was speaking about the interventionist government being the kind of government that we need, and big intervention, not small. I would suggest to the member that he look at the interventionist activity that could have been taken in relation to our native people and the poverty and the homelessness that he was talking about. In that case the government has all the authority and the right to act on behalf of those poor people and has not done so.

I would suggest that he use his interventionist activities and abilities to move now, not sometime in the future when they get bigger government and more power. Do it now, with the power the Liberals have today.

I will now speak more directly to Bill C-65.

• (1715)

This has taken a bit of my time but the record is important for future generations. I will also be sharing my time with the member for Dewdney—Alouette who also has some important things to say about Bill C-65.

The interventionist member took some time pointing out Reform's position, my party's position, yet he strayed from the facts. The purpose of equalization is to promote equal opportunities for the well-being of Canadians, to further economic development, to reduce disparity in opportunities and provide essential public services of reasonable quality to all Canadians.

I would like to quote the Leader of the Official Opposition who stated "The official opposition, the Reform Party, is committed to equalization and has been from the outset. I believe that the rank and file people in provinces like British Columbia, Alberta and Ontario who receive no equalization payments and in fact are net contributors to the federal-provincial transfers also support the principle of equalization. They have objections as to how the

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federal government administers it and how the federal government handles transfers but do not object to the principle itself”.

That should put to rest the statements the member for Broadview—Greenwood made. He distorted precisely what the position is of the Reform Party and the Leader of the Official Opposition.

I would like to talk about some points in Bill C-65. It is certainly a big subject that cannot be handled in one short speech.

One of the things that has caused me some concern is the concept of gambling revenues. It is my understanding that the changes will see for the first time provincial casino revenues included in the formula for the calculation of equalization payments.

Myself and many people in my riding are very much against the video lotteries and the extensive gambling that is going on in Canada today. Without trying to say that no one should gamble, which is not the question, the question is how much reliance should provincial and federal governments be putting on gambling revenues as a major source of their incomes?

Once governments start to figure things in and say they are part of the income, if there is any danger of that drying up, the first thing they have to do is take action to get people to gamble in order to keep that source of revenue coming in. If governments need more money, they have to encourage more people to gamble. Gambling in itself is not wrong. The problem is that many people cannot control their gambling instincts. Having a public government, the representative of the people, encouraging gambling is not right.

Gambling revenues are going to be included in the equalization formula to determine payments. That is a big mistake.

As to what the formula is going to do over the next few years with regard to the individual provinces, I note that my province of Manitoba will lose about \$37 million by the end of the five year term. The figures could certainly go higher, to as much as \$50 million as some members have stated.

Premier Gary Filmon has taken a very good economic road and has had economic policies for the benefit of the province of Manitoba over the past 10 years. He spoke out on equalization when this formula was proposed. He clearly stated that the objective of Manitoba is to become at least zero or a have province. We are taking economic activity and initiatives that will get us to that point.

• (1720)

In the meantime, as has been pointed out by the Reform Party, the formula which is in place and which is being developed in part of this bill is so convoluted and unfair that it is not really

transparent or obvious to Canadians how it works. It is subject to political influence and interference. I do not think our country should be run in a way which tries to equalize things and make them fair for everyone but in fact, the very formula that is being used permits the government to be either unfair to a province or excessively fair to a province.

A particular example is the province of Newfoundland. Just before the provincial election it was in a deficit position. It happened, I suppose by accident, that it was a Liberal who was trying to become the premier of the province again. Lo and behold, after refiguring the formula and recalculating how it works, Newfoundland's payments went higher and the would-be premier of the province went into the election saying that he had a balanced budget.

That is one example of what is wrong with this formula. Newfoundland no doubt deserves that money and needs that money because it has fallen on hard times in years past. But in treating provinces fairly, it should not be left to the government of the day to make individual decisions based purely on politics on how to be fair to Canadians and to the poor people of this country.

Mr. Ken Epp (Elk Island, Ref.): Madam Speaker, these are questions and comments and mine will probably be a comment.

The hon. member is our critic for agriculture. Even those of us who are on the finance committee whose job it is to study this bill and the equalization plan have great difficulty understanding the formula and how it is evaluated.

I would like to comment on the issue of lotteries. The member is looking at the bottom line. According to the bottom line of this bill, when it is passed it is projected—and we got these numbers from the finance department officials—that the equalization payments for Manitoba will go down \$37 million. That is the number the member quoted quite correctly.

However, it should be pointed out that because of the lottery component, if the member would look at the sheets, which obviously he has not had an opportunity to examine, in the breakdown per tax component, Manitoba loses about \$50 million because of the gaming component. It is in the tables. This means that instead of going down \$30 million, \$50 million is due to lotteries. Instead of going down, Manitoba would have had an increase. Manitoba went from an increase situation to a decrease because of the lotteries. The total lottery impact is some \$50 million.

My other comment has to do with respect to the formula and evaluation. How does one compute the potential of a province to gain lottery revenue? That is how the equalization formula works. It would be very subversive if actual income was used.

As the Conservative member from the east has explained, when a government gets new revenue, it does not like to have that taxed

Government Orders

because there is 100% clawback. The same thing is true here. How would it be evaluated?

I would like to give one of my other colleagues a little more time so I will very gently shut down and add that as a comment. It really does not require a response from the member.

• (1725)

Mr. Howard Hilstrom: Madam Speaker, certainly I have said quite clearly that I am not in favour of lotteries being included in the formula because of the incentive it gives to governments to try to raise those revenues.

I also have a question with regard to casinos that are going to be on our aboriginal reserves. How does this work into the formula?

Part of the problem is that it gets so complex and convoluted that it is difficult to work with. It may be okay for government actuaries and accountants, but the problem is that the average Canadian has to understand how this works because it is his or her money that is being thrown around by governments. That is why I would like to see a much simpler formula. I thank the member for his question.

Mr. Grant McNally (Dewdney—Alouette, Ref.): Madam Speaker, I that know time is brief so I will try to make my points very quickly here.

It is a pleasure to enter into this debate for a number of reasons, the first one being that this whole area of equalization is an important area, something that we support. We do not support the way the government has gone ahead with this bill and the way it has introduced it. The government has had five years, imagine, to deal with this issue and in three days it has brought it forward without consultation. It is another example of the top down arrogant style of governance we have seen from the Liberal Party of Canada over and over and over again. It is reflected again here with the introduction of this bill.

It reminds me a little bit of a comic strip we are all well aware of. In the Charlie Brown comic strip there is a character named Lucy. She would pull the football away from Charlie Brown every time he tried to kick it. Charlie Brown kept coming back to try to take another kick at the ball and every time Lucy would pull that ball away and Charlie Brown would lie flat on his back.

That is the way the Liberal government approaches legislation. In fact it is the way the Liberals approach governance in this country. We could substitute whomever we would like to for Charlie Brown, whether it be the hardworking Canadian taxpayers who fork over dollar after dollar after dollar to the government, or in this case the provinces which are treated in that same way. They come back in good faith, yet the government continues to pull the

ball away from them, to take away the goodwill they bring to the table over and over and over again.

That is the way this Liberal government deals with Canadians and with the provinces. And the Liberals wonder why they need to send out a task force to western Canada to find out what the problem is, why they have only a few members of parliament when there is approximately 100 seats in the west. Perhaps the Liberals will be sending a task force to other regions of the country as well to figure out why people are not voting for them. It is very simple. Canadians are not voting for the Liberals in those parts of the country because the Liberals are not listening. They do not get it. They do not understand.

Those comments were made clear by a member of the government, the member for Broadview—Greenwood just a few short minutes ago when he said he was an interventionist. “Do not worry, people of Canada. The federal government will solve your problems. Send us your bucks and we will take care of you”.

That simply is not working. It is not the truth and it is not the reality of the situation. And the Liberals wonder why they have to send a task force out to western Canada and other parts of the country to find out why people do not support them. They just do not get it. They do not understand.

The member for Broadview—Greenwood mentioned that he cannot understand why people in western Canada are upset with a government that says it has basically taken care of them. “We have put all this money into this program and that program. Why do you not support us?”

People of western Canada and other regions of the country do not support the government because it does not listen. Government members think they have the answers.

An hon. member: What does this have to do with his riding?

Mr. Grant McNally: Madam Speaker, I hear the member from Coquitlam harping up once again. It is nice to see that he is here for a change. It would be nice to see him enter into this debate in a reasonable manner rather than just shouting across the way as he usually does.

It is the government's way of dealing with Canadians and the different regions of Canada. The Liberal members simply think they have all the answers. Thirty years of governance from the sixties onward have shown that the government does not have the answers, that it does not have the solutions. The programs it has put in place do not solve all the problems. The government cannot see that and that is a shame. That is exactly the approach it has taken with Bill C-65. Once again it has shown its arrogant way of dealing with Canadians. It is a shame.

Supply

● (1730)

The government could have taken a different approach. It could have taken a consultative approach where it talks with individuals and mentions equalization in a formula that would actually work. To think that we have seven have not provinces, in this government's own terms, is a shame. It is incomprehensible how that can happen in a country as rich as this.

That is this government's approach to governing. It is disrespect for Canadians that has led to this kind of legislation and this style of governing and it has to come to an end.

* * *

SUPPLY

ALLOTTED DAY—TAX SYSTEM

The House resumed from March 4 consideration of the motion and the amendment.

The Acting Speaker (Ms. Thibeault): Pursuant to order made Thursday, March 4, 1999, the House will now proceed to the taking of the deferred recorded division on the amendment relating to the business of supply.

Call in the members.

● (1805)

[Translation]

(The House divided on the amendment, which was negated on the following division:)

(Division No. 333)

YEAS

Members

Abbott	Ablonczy
Anders	Asselin
Bachand (Richmond—Arthabaska)	Bailey
Bellehumeur	Benoit
Bergeron	Bernier (Tobique—Mactaquac)
Bigras	Blaikie
Breitkreuz (Yellowhead)	Breitkreuz (Yorkton—Melville)
Brien	Brisson
Cardin	Casey
Casson	Chatters
Chrétien (Frontenac—Mégantic)	Crête
Cummins	Dalphond-Guiral
Davies	Debieu
Desjarlais	Desrochers
Dockrill	Doyle
Dubé (Lévis-et-Chutes-de-la-Chaudière)	Duceppe
Dumas	Duncan
Earle	Elley
Epp	Forseth
Gagnon	Gauthier
Gilmour	Girard-Bujold
Godin (Acadie—Bathurst)	Godin (Châteauguay)
Goldring	Gouk
Grewal	Grey (Edmonton North)
Guimond	Hanger
Harris	Hart
Harvey	Herron
Hill (Macleod)	Hill (Prince George—Peace River)
Hillstrom	Hoeppner
Jaffer	Johnston
Jones	Kenney (Calgary Southeast)
Konrad	Laliberte
Lalonde	Laurin
Lebel	Lill
Loubier	Lowther
Lunn	MacKay (Pictou—Antigonish—Guysborough)

Mancini	Manning
Marceau	Marchand
Mark	Martin (Esquimalt—Juan de Fuca)
Martin (Winnipeg Centre)	Matthews
Mayfield	McDonough
McNally	Mercier
Meredith	Mills (Red Deer)
Morrison	Muise
Nunziata	Nystrom
Obhrai	Pankiw
Penson	Perron
Picard (Drummond)	Plamondon
Power	Price
Proctor	Ramsay
Reynolds	Riis
Ritz	Robinson
Rocheleau	Sauvageau
Schmidt	Scott (Skeena)
Solberg	St-Hilaire
Stinson	St-Jacques
Strahl	Thompson (New Brunswick Southwest)
Thompson (Wild Rose)	Tremblay (Rimouski—Mitis)
Vautour	Vellacott
Wasylcia-Leis	Wayne
White (Langley—Abbotsford)	White (North Vancouver)
Williams—123	

NAYS

Members

Adams	Alcock
Assad	Assadourian
Augustine	Axworthy (Winnipeg South Centre)
Baker	Bakopanos
Barnes	Beaumier
Bélaïr	Bélangier
Bellemare	Bennett
Bertrand	Bevilacqua
Blondin-Andrew	Bonin
Bonwick	Boudria
Bradshaw	Brown
Bryden	Bulte
Caccia	Calder
Cannis	Caplan
Carroll	Catterall
Cauchon	Chamberlain
Chan	Charbonneau
Chrétien (Saint-Maurice)	Clouthier
Coderre	Collette
Comuzzi	Copps
Cullen	DeVillers
Dhaliwal	Dion
Discepola	Dromisky
Drouin	Duhamel
Easter	Eggleton
Finestone	Folco
Fontana	Fry
Gagliano	Galloway
Godfrey	Goodale
Graham	Gray (Windsor West)
Grose	Guarnieri
Harb	Harvard
Hubbard	Ianno
Iftody	Jackson
Jennings	Jordan
Karetak-Lindell	Karygiannis
Keyes	Kilger (Stormont—Dundas)
Kilgour (Edmonton Southeast)	Knutson
Kraft Sloan	Lastewka
Lavigne	Lee
Leung	Lincoln
MacAulay	Mahoney
Malhi	Maloney
Manley	Marchi
Marleau	Martin (LaSalle—Émard)
Massé	McCormick
McKay (Scarborough East)	McLellan (Edmonton West)
McTeague	Mifflin
Mills (Broadview—Greenwood)	Minna
Mitchell	Murray

Myers
Normand
O'Reilly
Paradis
Patri
Peterson
Phinney
Pillitteri
Proud
Redman
Richardson
Rock
Scott (Fredericton)
Serré
Speller
Steckle
Stewart (Northumberland)
Szabo
Thibeault
Ur
Wappel
Wilfert

Nault
O'Brien (London—Fanshawe)
Pagtakhan
Parrish
Peric
Pettigrew
Pickard (Chatham—Kent Essex)
Pratt
Provenzano
Reed
Robillard
Saada
Sekora
Shepherd
St. Denis
Stewart (Brant)
St-Julien
Telegdi
Torsney
Valeri
Whelan
Wood—144

Konrad
Lalonde
Lebel
Loubier
Lunn
Mancini
Marceau
Mark
Martin (Winnipeg Centre)
Mayfield
McNally
Meredith
Morrison
Nunziata
Obhrai
Penson
Picard (Drummond)
Power
Proctor
Reynolds
Ritz
Rocheleau
Schmidt
Solberg
Stinson
Strahl
Thompson (Wild Rose)
Vautour
Wasylcyia-Leis
White (Langley—Abbotsford)
Williams—123

Supply

Laliberte
Laurin
Lill
Lowther
MacKay (Pictou—Antigonish—Guysborough)
Manning
Marchand
Martin (Esquimalt—Juan de Fuca)
Matthews
McDonough
Mercier
Mills (Red Deer)
Muise
Nystrom
Pankiw
Perron
Plamondon
Price
Ramsay
Ris
Robinson
Sauvageau
Scott (Skeena)
St-Hilaire
St-Jacques
Thompson (New Brunswick Southwest)
Tremblay (Rimouski—Mitis)
Vellacott
Wayne
White (North Vancouver)

PAIRED MEMBERS

Alarie
Bachand (Saint-Jean)
Canuel
Finlay
Longfield
McWhinney
O'Brien (Labrador)
Vanclief

Anderson
Byrne
de Savoye
Guay
McGuire
Ménard
Turp
Venne

The Deputy Speaker: I declare the motion lost.

The next question is on the main motion.

• (1810)

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

(Division No. 334)

YEAS

Members

Abbott
Anders
Bachand (Richmond—Arthabaska)
Bellehumeur
Bergeron
Bigras
Breitkreuz (Yellowhead)
Brien
Cardin
Casson
Chrétien (Frontenac—Mégantic)
Cummins
Davies
Desjarlais
Dockrill
Dubé (Lévis-et-Chutes-de-la-Chaudière)
Dumas
Earle
Epp
Gagnon
Gilmour
Godin (Acadie—Bathurst)
Goldring
Grewal
Guimond
Harris
Harvey
Hill (Macleod)
Hilstrom
Jaffer
Jones

Ablonczy
Asselin
Bailey
Benoit
Bernier (Tobique—Mactaquac)
Blaikie
Breitkreuz (Yorkton—Melville)
Brisson
Casey
Chatters
Crête
Dalphond-Guiral
Debien
Desrochers
Doyle
Duceppe
Duncan
Elley
Forseth
Gauthier
Girard-Bujold
Godin (Châteauguay)
Gouk
Grey (Edmonton North)
Hanger
Hart
Herron
Hill (Prince George—Peace River)
Hoepfner
Johnston
Kenney (Calgary Southeast)

Adams
Assad
Augustine
Baker
Barnes
Bélair
Bellemare
Bertrand
Blondin-Andrew
Bonwick
Bradshaw
Bryden
Caccia
Cannis
Carroll
Cauchoy
Chan
Chrétien (Saint-Maurice)
Coderre
Comuzzi
Cullen
Dhaliwal
Discepola
Drouin
Easter
Finestone
Fontana
Gagliano
Godfrey
Graham
Grose
Harb
Hubbard
Iftody
Jennings
Karetak-Lindell
Keyes
Kilgour (Edmonton Southeast)
Kraft Sloan
Lavigne
Leung
MacAulay
Malhi
Manley

NAYS

Members

Alcock
Assadourian
Axworthy (Winnipeg South Centre)
Bakapanos
Beaumier
Bélanger
Bennett
Bevilacqua
Bonin
Boudria
Brown
Bulte
Calder
Caplan
Catterall
Chamberlain
Charbonneau
Clouthier
Collenette
Coppes
De Villers
Dion
Dromisky
Duhamel
Eggleton
Folco
Fry
Galloway
Goodale
Gray (Windsor West)
Guarnieri
Harvard
Ianno
Jackson
Jordan
Karygiannis
Kilger (Stormont—Dundas)
Knutson
Lastewka
Lee
Lincoln
Mahoney
Maloney
Marchi

Private Members' Business

Marleau	Martin (LaSalle—Émard)
Massé	McCormick
McKay (Scarborough East)	McLellan (Edmonton West)
McTeague	Mifflin
Mills (Broadview—Greenwood)	Minna
Mitchell	Murray
Myers	Nault
Normand	O'Brien (London—Fanshawe)
O'Reilly	Pagtakhan
Paradis	Parrish
Patry	Peric
Peterson	Pettigrew
Phinney	Pickard (Chatham—Kent Essex)
Pillitteri	Pratt
Proud	Provenzano
Redman	Reed
Richardson	Robillard
Rock	Saada
Scott (Fredericton)	Sekora
Serré	Shepherd
Speller	St. Denis
Steckle	Stewart (Brant)
Stewart (Northumberland)	St-Julien
Szabo	Telegdi
Thibeault	Torsney
Ur	Valeri
Volpe	Wappel
Whelan	Wilfert
Wood—145	

PAIRED MEMBERS

Alarie	Anderson
Bachand (Saint-Jean)	Byrne
Canuel	de Savoye
Finlay	Guay
Longfield	McGuire
McWhinney	Ménard
O'Brien (Labrador)	Turp
Vancilief	Venne

The Deputy Speaker: I declare the motion lost.

• (1815)

Mr. Jean-Guy Chrétien: Mr. Speaker, I just wish to make sure that my name was included among those who voted in favour of the Reform Party motion. I was present.

The Deputy Speaker: I can assure the hon. member that his name was included on the list of those who voted. I have already determined this, and everything is all right. The member therefore voted.

It being 6.15 p.m., the House will now proceed to the consideration of Private Members' Business as listed on today's order paper.

PRIVATE MEMBERS' BUSINESS

[English]

INCOME TAX ACT

Mr. Inky Mark (Dauphin—Swan River, Ref.) moved that Bill C-312, an act to amend the Income Tax Act (percentage of gifts that

may be deducted from tax), be read the second time and referred to a committee.

He said: Madam Speaker, it is a pleasure to have the opportunity to debate my private member's Bill C-312. Let me thank my colleague from Delta—South Richmond for seconding the bill.

Bill C-312 would amend the Income Tax Act with respect to the percentage of gifts that may be deducted from tax. I will read a brief overview of exactly what this private member's bill is all about:

The purpose of this enactment is to increase the deductibility of charitable gifts up to \$1,150 a year to be no less than for political contributions. It applies to gifts, up to that amount, the same formula for calculating the deduction that is used for political contributions to registered parties and candidates. The deduction for gifts above that amount remains unchanged.

The enactment actually covers Crown gifts and cultural gifts as well because they are added to charitable gifts to calculate the deduction under the act and the expression "total gifts" means total charitable gifts up to 50% of income plus total Crown gifts plus total cultural gifts.

The rationale for this private member's bill is really about levelling the playing field. As members know we are all proud to be Canadians and we believe that Canadians should be treated equally. That is one of the pillars of our democracy. Politicians should not have any advantage over regular citizens who work hard and pay a lot of taxes. In fact 46 cents out of every dollar is paid out in tax in one form or another. For that purpose it is even more important for citizens to get the same breaks as politicians.

• (1820)

This bill is really about equality for Canadians. It is about being treated in this country on an equal footing. Regardless of what politicians believe, which is that they should have an added advantage certainly during election times when raising funds, I believe that politicians should not have an advantage over other citizens who would like to contribute to the charity of their choice. Therefore, this bill would level the playing field.

In essence, Bill C-312 is about taking away political advantage for political donations. Politicians I believe and most people in this country believe should be treated no differently from the average Canadian. Not all donations should have the same weight.

This bill unfortunately is not votable. Obviously it was politicians who decided that it should not be made votable. In fact when I presented myself before the committee there was an instance when members of the committee thought I was mixing apples and oranges. I really do not think we are mixing apples and oranges. I believe that Canadians need to be treated in an equal fashion. Politicians are Canadians and so are the citizens of this country, so it is really not about apples and oranges.

What I would like to do at this time is run through the bill so that the people who are watching will know what it is about. As I first indicated, Bill C-312 would amend the Income Tax Act with respect to the percentage of gifts that may be deducted from tax.

Subsection 118.1(3) of the Income Tax Act would be replaced by the following:

(3) For the purpose of computing the tax payable under this Part by an individual for a taxation year, there may be deducted such amount as the individual claims, not exceeding

(a) 75% of the lesser of \$100 and the individual's total gifts for the year if the total does not exceed \$100, plus

(b) 50% of the amount by which the individual's total gifts for the year exceed \$100 and do not exceed \$550, plus

(c) 33 1/3% of the amount by which the individual's total gifts for the year exceed \$550 and do not exceed \$1,150, plus

(d) the highest percentage referred to in subsection 117(2) that applies in determining tax that might be payable under this Part for the year multiplied by the amount by which the individual's total gifts for the year exceed \$1,150.

(2) Subsection (1) applies to the 1998 and subsequent taxation years.

The proposals necessary to change the calculation for the charitable donation credits for income tax would take place in such a manner.

The Income Tax Act would have to be amended, as I indicated earlier, in order to make the calculation of the tax credit for the first \$1,150 of charitable donations in order to make the treatment equivalent to or better than the tax credit for political contributions of \$1,150.

With respect to political contributions, the taxpayer may at present deduct from income tax otherwise payable under Part I of the Income Tax Act an amount in respect of contributions made in the year to a registered party or an officially nominated candidate in a federal election or byelection.

According to subsection 127(4) of the act, the above terms have a meaning assigned to them in the Canada Elections Act.

Pursuant to subsection 127(3), the political contribution deduction is calculated as a percentage of the actual contribution made by the taxpayer in the year.

The taxpayer may deduct (a) 75% of the first \$100 contributed; (b) 50% of the next \$450 contributed; and (c) 33 1/3% of the next \$600 contributed. The maximum deduction is therefore \$500 and is available where the taxpayer has contributed \$1,150. Where the contribution in a year exceeds \$1,150 no amount is deductible in

Private Members' Business

respect of this excess and the taxpayer may not carry such an excess over and take a deduction in another year.

• (1825)

Since the deduction is from part I, tax otherwise payable, it is in the nature of a tax credit. Where the taxpayer is not otherwise required to pay income tax for the year in an amount at least equal to this credit the benefits of the credit are lost. The taxpayer cannot receive this credit as a tax refund.

Section 118.1 provides for a non-refundable tax credit to individuals in respect of certain gifts made by them which qualify as charitable gifts, crown gifts, cultural gifts or ecological gifts. This credit is applicable against income tax otherwise payable under part I of the Income Tax Act and is determined in accordance with the formula described in section 118.1(3).

The formula is based on the individual's total gifts for the taxation year, meaning the total of the lesser of the individual's total charitable gifts for the year and generally 50% of the individual's income for the year in 1996 and later years up from 20% in 1992 to 1995; the individual's total crown gifts for the year; the individual's total cultural gifts for the year; and the individual's total ecological gifts for the year.

The relevant definitions of the above terms are contained in section 118.1(1). According to section 118.1(3) the tax credit for an individual in respect of total gifts for a taxation year is calculated at two rates, 17% of the first \$200 of donations plus 29% of the donations over \$200.

In order to change the calculation of the tax credit for the first \$1,150 of the total charitable gifts to make it equivalent to or better than the tax credit for \$1,150 in political contributions an amendment would be required to section 118.1(3). The wording would depend on whether the intention was to change the calculation of the tax credit for only total charitable gifts or for total gifts since total charitable gifts comprise only a portion of the total gifts on which the present calculation of the tax credit is based.

Assuming that the calculation of the tax credit for the first \$1,150 of donations was changed to be the same as the calculation for the tax credit for \$1,150 in political contributions, a determination would also have to be made as to what the legislated formulae would be for calculating the tax credit on the portion of donations in excess of \$1,150.

Turning to the revenue implications of the proposal in Bill C-312, the most important change is the increase to 75% credit of the first \$100 as opposed to the 17% of the first \$200 given the existing rules and 50% of the next \$450. The average charitable donation claim in 1993 was \$626 according to Revenue Canada's taxation statistics. Subject to standard rules the federal tax credits

Private Members' Business

generated would be \$158. If this representative donation had instead been subject to the political contribution credit rules, the earned credit would have been \$325, a difference of \$168 multiplied by a hypothetical 5.4 million taxpayers.

Another approach to estimating the revenue implication of the proposal is static microsimulation which was done using Statistics Canada's social policy simulation model and database. Responsibility for the results and the interpretation lies with the present author. This involves rewriting the algorithm of calculating the charitable donations tax credit to reflect the proposal at hand and using the model to estimate the net impact of federal revenues.

• (1830)

Assuming that for charitable contributions above \$1,150 the credit rate would be thirty three and one-third per cent instead of the current twenty nine per cent. Matching the political contributions credit for amounts below that, the impact on federal revenues is estimated to be about \$800 million. The simulation approach thus matches quite nicely with estimates above employing averages.

After \$1,150 it will go back to 29%. This is a static exercise, which is to say that we assume in doing the calculation that individuals do not choose to donate more because of the more favourable treatment. If it is the case, that more favourable treatment does not generate any new or incremental revenue for charities, all that is changed is the cost of giving.

It would be more realistic to assume that individuals choose to donate more, in which case charitable events would increase and federal revenues would decrease more than they do in the static exercise. How charitable givings would increase is a matter of speculation. It depends on what estimates one chooses for the rate of tax induced giving, which means how much the after tax cost of donation influences the amount donated.

There has been a reasonable amount of empirical work on this question and the jury is still out. While taxes do positively affect charitable livings, on the margin the magnitude of that effect is uncertain.

The incremental federal cost of increased giving depends on who is doing the giving. This is because for amounts above \$550 the credit rate is only changing from twenty nine per cent to thirty three and one-third per cent, a relatively small shift. For smaller donors the credit rate is changing from 17% to either 50% or 75%, which may have a significant impact on donation rates. In other words, we may well find a large number of new donations under the \$100 level and a large amount of new or increased donations in the \$100 to \$550 range. This would obviously influence charitable receipts in a positive way and a federal revenue in a negative manner.

Mr. Scott Brison (Kings—Hants, PC): Madam Speaker, I appreciate being able to speak early on the motion tonight. I understand the parliamentary secretary assisted in that and I am very much appreciative.

The motion is a very important motion that seeks to address a fundamental flaw in the Canadian tax code as we see it currently, the discrepancy between the tax treatment of political contributions and charitable contributions.

As a preface to my remarks, it is very important to recognize the importance of the role charitable organizations play in Canadian society. That role has increased in recent years in part due to both federal and provincial government cutbacks where we have been in a period of fiscal restraint.

The non-profit sector, the volunteer sector, has had to play a larger role in providing some of the basic services. For instance, in areas of health care organizations like the VON have been called on to play a larger role than perhaps they have ever had to play in the past.

I argue that not just the intentions of this motion are very important but that the government should be trying to engage the volunteer sector on almost every area of service delivery to ensure that we identify the needs of Canadians more effectively and also, through the volunteer sector, to can work more effectively in meeting those needs.

There are several facts I would like to provide to the House on this issue. The discrepancies are very clear. The maximum contribution amount eligible for credit with a charity is 50%. For political parties the amount eligible for credit is \$1,150. On charitable or non-profit organization contributions it is 17% of the first \$200 and 29% on gifts over \$200. The largest possible tax credit is limited by 50% of the donor's actual taxable income.

• (1835)

On contributions to political parties it is 75% of the total if the total does not exceed \$100; \$75 plus 50% of the next \$450 is eligible and the lesser of \$300 plus one-third of the amount exceeding \$550 or \$500. Clearly at some levels of contributions there are significant advantages of contributing to a political party as opposed to a charity. My party is not opposed to political contributions. I encourage Canadians who are watching tonight to make contributions.

The issue before us tonight is one that specifically addresses the discrepancy between contributions to charities and the non-profit and volunteer sector and political organizations. In the next century it is argued that in most industrialized countries the volunteer sector will play a larger and larger role in society. Governments will be asked to do some things extraordinarily well and will be asked to do less in some other areas. If we are to provide that level of responsibility to the volunteer sector we have to provide with it

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some type of commensurate improvement in the tax treatment which would enable citizens to contribute to those worthy areas.

This is not the only area that needs to be addressed in terms of our treatment of charitable contributions. We believe the government should remove the remaining capital gains tax on gifts of publicly traded securities to registered charitable organizations. Our party has taken a strong position on this. We have recommended to the minister that he eliminate this capital gains tax on publicly traded shares.

These publicly traded securities have been a very attractive option in allowing a philanthropist to transfer some of their investment holdings to worthy organizations. The capital gains tax effectively reduces the incentive for these philanthropists to contribute to the causes that are very important to them and that are very important to Canadians. The government appeared to recognize the principle I am speaking of a year ago when it reduced the capital gains tax on contributions of publicly traded securities by 50%.

What we are asking the government to do now is carry that policy to its logical conclusion and completely eliminate that capital gains tax on contributions of publicly traded shares. The cost to the federal treasury of the initiative I am speaking of in forgone revenue would be less than \$50 million per year. That strikes me as an eminently reasonable tax expenditure to encourage more Canadians to contribute publicly traded shares and to support many of the non-profit and volunteer sector institutions, including hospitals, universities and other worthy institutions that are very important to the quality of life for Canadians.

This motion addresses one area of tax policy that we would like to see corrected. As I discussed, we have been pushing for the government to eliminate as well the capital gains tax on contributions of publicly traded shares to Canadian charities. These are some of the steps whereby the government could provide a recognition of the importance that Canada's volunteer sector provides to Canadians and the important level of services provided to Canadians by Canada's volunteer sector.

It is very important to recognize the trend of the increasing role that our volunteer sector is asked to play in society. The House would do itself proud to support this motion and to make steps in any way we can to encourage more Canadians to contribute to the volunteer sector which improves the quality of life of Canadians every day.

[Translation]

Mr. Gilles-A. Perron (Rivière-des-Mille-Îles, BQ): Madam Speaker, I did not appreciate the fact that you gave the floor to the member who just spoke. I should have been the second speaker.

I rise this evening—

• (1840)

The Acting Speaker (Ms. Thibeault): I would point out to the hon. member that the normal rotation does not apply during the

period set aside for the consideration of Private Members' Business. The decision rests with the chair.

Mr. Gilles-A. Perron: Madam Speaker, I thought I had risen.

I rise this evening to speak to Bill C-312, introduced by the Reform Party member for Dauphin—Swan River and entitled an act to amend the Income Tax Act (percentage of gifts that may be deducted from tax).

The purpose of this bill is to amend paragraph 118.1(3) of the Income Tax Act in order to put charitable gifts on the same tax footing as political contributions for the first \$1,150.

In February 1997, the Bloc Québécois asked that the amount qualifying for a tax credit be standardized. A tax credit equal to 29% of allowable gifts was proposed, so that low income taxpayers could benefit from a credit proportionate to that of wealthier taxpayers.

In Quebec, for instance, the credit is equal to 23% of total allowable gifts, regardless of the size of the gifts.

What we are now seeing, and have often seen in the federal system, is that the wealthy, those with higher incomes, always get the best deal.

In the last budget, for example, the Minister of Finance proclaimed to all and sundry that he had lowered everyone's taxes. Indeed he had, but the allowable deduction for an unmarried taxpayer with an annual income of \$40,000 is \$114.75, barely 31 cents a day, while the tax credit for a taxpayer with an income of \$4 million is \$30,000. It is obviously unfair.

The tax credit for charitable donations is 17% on the first \$200 and 29% on the remainder, so that once again taxpayers in a position to make sizeable donations benefit from the maximum deduction.

It is estimated that those earning under \$60,000 claim an average of \$144 in charitable gifts, while those earning \$250,000 and up claim an average of \$3,670.

Currently, the first are entitled to a tax credit of 17%, whereas the most wealthy are entitled to a tax credit of 28%. We must not forget that these credits also reduce federal and provincial surtaxes.

This bill ensures that taxpayers with incomes less than \$60,000 will enjoy a tax credit of 67% of the \$144 paid, whereas those declaring incomes over \$250,000 will receive a tax credit of 34% of the \$3,670 paid.

I would point out that a dollar, for someone well off, has a smaller marginal value than the same dollar made available to someone more disadvantaged.

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However, welfare organizations are seeing increased public need. The challenge is all the more difficult to face because these organizations have had severe budget cuts in recent years.

• (1845)

In addition, in recent years organizations have had increasing difficulty obtaining registration numbers. The forms contain a growing number of questions, and any political connection increasingly means the loss of registration.

I would mention a case in my riding, the Fondation jeunesse les Coopérants de la MRC de Deux-Montagnes, which has waited for a registered organization number for over two years.

The federal government will likely tighten eligibility criteria further to the detriment of the organizations in the field, whose resources are all too often strained to their limit.

Giving and tax credits must be encouraged, as proposed. Bill C-312 is a good initiative from this point of view, particularly when one keeps in mind that the Canadian Centre for Philanthropy calculated some three or four years ago that there would have to be a 5.8% increase in giving every time there was a 1% drop in government subsidies and transfers, if a constant level of funding was to be maintained.

In this connection, it needs to be acknowledged that services of a social nature would be delivered far more effectively by the charitable organizations themselves.

I have examined the report of the Canadian commission on the volunteer sector and it is my belief that the government ought to take action, and bring in the necessary amendments.

In conclusion, my party, the Bloc Québécois, and myself, are in favour of Bill C-312.

[*English*]

Mr. Tony Valeri (Parliamentary Secretary to Minister of Finance, Lib.): Madam Speaker, certainly the government recognizes the motivation for the hon. member's bill and fully supports the principle of offering generous tax assistance to charitable giving.

In fact the government has provided additional incentives for charitable giving in four of the last five federal budgets. Some of the measures the government has put forward include lowering the threshold for eligibility for the 29% level of tax credit to \$200 from \$250, raising the annual income limit for use of charitable donations to most charities from 20% when the government took office to 75%, and reducing the income inclusion rate for capital gains arising from the donation of appreciated publicly traded securities to 37.5%. These initiatives have been recent and certainly the government is monitoring the impact to see if further changes are required.

The member should also recognize that the differences in the treatment of political contributions and charitable donations reflect the different policy intents of the two measures.

The design of the federal political contribution tax credit reflects the desire to encourage greater grassroots involvement by all Canadians in the political process. It is for this reason that generous tax assistance is given to small political contributions, that tax assistance is reduced for incremental amounts to the point that the federal tax assistance is zero for amounts contributed to federal political parties in excess of the \$1,150 per contributor per year.

Mr. Lee Morrison: That is officially noted, precisely.

Mr. Tony Valeri: The member says it is official. According to the law that is in fact the case. Perhaps the hon. member is not making reference to the law, but what I am stating is in fact what the law states.

In contrast, tax assistance for charitable donations is greater for amounts in excess of \$200 in order to encourage larger donations to charities. It is a policy decision and one that we feel is the correct one. Indeed in the case of very large donations tax credits may be claimed for donations up to 75% of a taxpayer's income in a given year. Tax credits may also be carried forward for future years should the 75% limit be exceeded.

The donations of small amounts to charities is not strongly motivated by the availability of tax assistance. Consequently the greatest effect of the proposal would be the increase of fiscal cost of tax assistance according to donations that would have been made in any case.

• (1850)

Charities themselves would receive little benefit. Under the existing tax policy the level of tax assistance accorded for most charitable donations results in roughly a 50:50 partnership between government and the private sector in support of charities.

The government, while adhering to and supporting the intent of the hon. member's bill, cannot support it. The current design of the charitable donations tax credit acts to encourage larger donations while recognizing the value of smaller donations. It is appropriate. The fiscal cost of the measures would be large, approximately \$125 million per year, for what in fact would be of little effect on the level of charitable giving.

The greatest effect of the measure would be the increased tax assistance to donations that would have been given in any case. Consequently charities would receive little additional support and therefore I cannot support the bill.

Mr. Dick Proctor (Palliser, NDP): Madam Speaker, it is a pleasure to debate Bill C-312. I congratulate the hon. member for Dauphin—Swan River on bringing the bill forward.

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In a previous job I had the opportunity to participate a little in the Royal Commission on Electoral Reform and Party Financing in the late 1980s and early 1990s. I remember distinctly one visit the committee made to Washington to meet with representatives of the political system in the United States. Practically their first question was why we were there to learn from them because our system was so much further advanced in terms of political financing and representation, the absence of soft money and everything else that goes with the American system.

While I do not necessarily have a problem with Bill C-312 and what it purports to do, I am also aware that governments can level up and can level down. My concern—and I thought the previous speaker on the government side put it well—is that the reason the tax endowments are greater for the person who makes a contribution to a political party as opposed to a small donor to a charity is to encourage grassroots participation.

It is incumbent upon us in this debate to talk a little about an important study that has just come out on the voluntary sector by a blue ribbon committee. It is very concerned about some aspects of charities and wants to make it accountable to end some of the abuses it sees.

It is staggering to note that there are 75,000 charities in Canada alone and that the amount of money donated every year is in excess of \$90 billion. At the same time it is also noteworthy that apparently two-thirds of the revenues of charities come from government and only about 12% actually come from donations.

That may be hard to believe for some of us who are at home at 6 o'clock at night when the phones are ringing off the hook with callers wanting donations to this or that charity, but these seem to be the facts.

There certainly is some need to tidy up the problems. I will quote from the Canadian Unitarian Council on the voluntary sector and on charities which said the following:

What voluntary sector leaders told the Panel on Accountability and Governance about Canada's archaic charity laws:

"We are seriously concerned that the body charged with decisions about the public good is Revenue Canada. There is something fundamentally contradictory in the fact that an organization which has as its primary function the raising of government revenue also has control over determining which groups are acknowledged to have a contribution to make to a democratic society".

• (1855)

The United Way in Drummondville said:

It is imperative that the legislation be in accordance with our modern Canadian values. It doesn't make much sense to come under the yolk of a law which is 400 years old.

We can see some good in the proposed bill. On the other hand we are concerned that the grassroots participation in the political field continues to be encouraged. I will await with interest to see what the mover of the bill has to say in his wrap-up comments.

Mr. Ken Epp (Elk Island, Ref.): Madam Speaker, I am pleased to add my contribution to the debate on Bill C-312 proposed by my hon. colleague.

There are some fundamental, philosophical questions to be asked when we have a bill like this one. When the government gives an exemption from taxation on income that is used to promote a charity or a political party, it becomes a tax expenditure. The Government of Canada by forgoing some revenue lands up indirectly subsidizing that particular activity.

If there is an organization in one of our communities whose job it is to pick up stray cats and keep them in a nice home with facilities and all such things for cats that is considered to be a socially beneficial activity, the government then feels it is justified in taking money from everybody in the whole country who pays taxes and putting some of it into subsidizing that activity.

Over the years in Canada the support of different charities and different organizations has grown into quite an industry. As a matter of fact, the finance department has a huge branch involved in the designation of charities. One problem that arises from this is that we now have a deputy minister and others who by the role of regulation and interpretation can determine which organization qualifies for the indirect subsidy and which one does not. It does make a substantial difference.

I know the parliamentary secretary said that small donations were not really driven by whether or not there was a tax exemption for them. That may well be because of the current tax law. The first \$100 are not affected by it. Quite clearly one will not be giving a donation to somebody for \$20 based on whether or not there is a tax benefit since there is not one. If it kicked in right away then perhaps there would be motivation.

Back in the old days it used to be that we could claim \$100 of charitable donations even if none were made. We did not have to supply receipts. We could either do that or supply the receipts. It was always my argument that the person who was not able to accumulate \$100 worth of receipts in a year for charity is probably such a cheap screw that he would not be giving anything so why should we give him \$100. If there were no receipts it seemed to me that there should be no benefit at all because that is a person who does not reach out his hand to help charitable organizations or those in need.

Then we come to political parties. Political parties, according to governments of the past, are an activity which the taxpayer should be coerced to support indirectly through the granting of tax credits.

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In the old days it used to be a reduction of one's taxable income based on the amount of money given to a political party.

The rate at which political parties are indirectly subsidized by the taxpayer in general is much more generous than that for other organizations such as those that run safe houses for women and children who need a place to escape to when they are in danger or other organizations that help people who are ill.

• (1900)

I know several of those which basically run extended care centres for people with a long term illness. They are run as charitable organizations. My aunt was in one of those because the health care system in this country failed her and her family totally. She was moved into one of them so she could live out her final days with a good and reasonable amount of care.

Those organizations do not have nearly as much benefit and one could really wonder which one is better for society. Which activity provides a greater benefit to society as a whole, the existence of the Liberal Party or the existence of the extended care centre in the small town in Saskatchewan that looked after my aunt? I would contend that it was probably the extended care centre.

By the way, the family received donations to this extended care centre in lieu of flowers because of their great appreciation for the care she got.

The rate at which the government is indirectly subsidizing this should definitely be equal with that for a political party. I would even put my own political party into that category. It is as important to provide support for organizations like that as it is for even the Reform Party and certainly the Liberal Party and the other parties represented here in the House.

We then have the added question of who decides and how do they decide which organization gets the right to give tax receipts. That is a big problem which we have been made aware of just recently. The department tends to be rather discriminatory. It will accept one particular organization but not another, depending on what their supposed activities are and what their purposes are. Sometimes it is quite arbitrary. In my view, some of the situations that have come to my attention have been wrongly judged. These people then have a greater difficulty in raising money through donations.

My hon. colleague has put forward a bill that basically equalizes the contributions to charities as compared to those to political parties. With all due respect, I am not sure that I would go in that direction. I may have put it in the other direction. I would have perhaps considered bringing the political parties' benefit level down to where the charities were instead of what the member has done in bringing the charities up to where the political parties are.

They were quite far apart but there was a limitation on it for political donations. The maximum donation is \$1,150 whereas for charitable donations, if I am not mistaken, it is now up to 50% of one's net income.

There is now a greater amount available for the charities even though the rate is lower. We need to consider this very carefully but I can certainly concur in principle with what my hon. colleague is doing. He is saying we should reflect what is valuable to Canadians. There is no doubt in my mind that most Canadians would consider the charities they support to be at least as valuable as the political parties, which many people unfortunately due to the growing cynicism across the country are failing to support.

I commend my colleague for bringing this bill forward. I hope that sometime in the near future we will actually be able to vote on something like this to bring a change and equality into this area.

Mr. Lee Morrison (Cypress Hills—Grasslands, Ref.): Madam Speaker, I applaud the general premise of the member for Dauphin—Swan River that politicians should not be treated more favourably by the income tax system than charities.

• (1905)

However, I have a severe problem with what is happening in the, I would hasten to say, charitable industry in this country. It is a little disconcerting that there are over 70,000 registered charities, all entitled to the standard deduction which is afforded to people who are able to get their hands on a number. I wonder how useful a lot of these organizations are, how much of their intake is actually swallowed up in administration and salaries and so on.

Seventy thousand charities. There has to be something wrong there. They are not all Salvation Army or the Canadian Cancer Society. These are people who have their own little private axes to grind. They are getting a tax break which in many cases I do not think could be justified if we could do a serious audit on them.

All of us who read the daily papers know what is happening. Audits are being done on a very selective basis. People that are not necessarily in accord with the government of the day are having their numbers revoked, whereas other charities that are perhaps more friendly to the philosophy of the Liberal Party are not having their numbers revoked, even though they are engaged in proselytizing, evangelism or whatever one wants to call it.

On that basis we may have allowed this thing to get a little out of control. I do have some very grave misgivings about the member's bill.

Mr. Inky Mark (Dauphin—Swan River, Ref.): Madam Speaker, first let me thank all hon. members on both sides of the House

for debating this private member's bill. They brought forward many important points, one being that it is about societal values and the volunteer base of this country. We all come from communities where if it were not for the volunteer sector, not much would probably happen.

My colleague from Cypress Hills—Grasslands brought forward the important point that perhaps there needs to be a new set of standards. If the rules are to be changed, it is a good idea. We all need scrutiny. Audit requirements are probably a sensible approach.

In my brief closing comments, I would like to make some key points to tell the House why this bill should have been made votable.

It is the optics of our society, of equality in this country. Politicians really should not get the edge on the average Canadian, at least that is the optics out there.

The charitable donation of \$1,150 or less should be put on an equal footing with political donations. The first \$200 donated to charities results in a tax credit of 17% of that amount. Anything over \$200 donated to a charity results in a tax credit of 29% of the amount. The maximum tax creditable amount is 50% of the filer's income.

The first \$100 of a political donation results in a 75% tax credit. The next \$450 results in an additional 50% tax credit. The next \$600 results in an additional tax credit of one-third of the amount donated. The maximum tax creditable amount is \$1,150 which results in a tax credit of \$500.

In 1993 the average charitable donation claim was \$626. Subject to standard rules, the tax credit was \$158. As a political donation, \$626 resulted in a tax credit of \$325. That is a difference of \$168. Again, as was indicated by previous speakers and myself, there is a discrepancy in our tax credit system.

● (1910)

What are the revenue implications? According to the reference branch of the Library of Parliament, these are difficult to nail down at this time. Estimates are that under present levels of donations this would probably result in the government taking in about \$800 million or less. Perhaps we could just deem this as a tax break. As we all know, money in the pockets of the citizens of this country is certainly better than in the hands of politicians.

In summary, the key reason for the uncertainty on revenue is that increasing the tax credit for charitable donations could encourage people to give more to charities. At a time when governments are able to do less, and we all agree on that, I think we should encourage increased giving to charities. It is unfortunate that with the tax breaks political organizations currently get, it appears that people in this country still do not take an interest in politics.

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I thank the members of this House for speaking to this bill.

The Acting Speaker (Ms. Thibeault): The time provided for the consideration of Private Members' Business has now expired and the order is dropped from the order paper.

ADJOURNMENT PROCEEDINGS

[English]

A motion to adjourn the House under Standing Order 38 deemed to have been moved.

RURAL MUNICIPALITIES

Mr. Lee Morrison (Cypress Hills—Grasslands, Ref.): Madam Speaker, on November 6, 1998, I raised a question in the House regarding the loss of tax revenue by western rural municipalities when land is converted to Indian reserves.

In responding, the government House leader clearly did not have the faintest idea of what I was talking about. He stumbled and stammered that his government fully understood its obligations to aboriginal Canadians and as always he adhered to the standard Liberal policy of when you do not understand the issue, obfuscate. In order that the government can compose a rational response, I will now pose my question in great detail.

There are two types of native land claims being settled by federal and provincial funding of land purchases by Indian bands. Treaty land entitlement claims involve lands promised by the government as part of the original treaties with the Indian bands. Some bands were shortchanged mainly due to incorrect counts of band members. A recent recalculation has resulted in the awarding of huge additional entitlements based, not on the original 19th century populations, but on recent counts.

Using remarkable Liberal mathematics, I suppose that the treaties should rationally be reopened in 10, 20 or 30 years hence until ultimately all of the west has been returned to its original owners. However I am digressing. That is a subject for another debate. Tonight the subject is taxation.

Land purchased under treaty land entitlements and transferred to reserve status is land removed from the tax base of rural municipalities. However, for the loss of these particular lands, the rural municipalities are very fairly given a grant of 22.5 times the annual tax revenue as compensation.

Unfortunately there is a second type of entitlement which has a totally different outcome to the rural municipalities. Specific land claims are to return lands lost through unlawful acts or land

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arbitrarily taken away from a reserve without compensation. For such claims, rural municipalities will only be compensated at five times the previous year's taxes. This is blatantly unfair and it represents a disavowal of federal commitments made to the rural municipalities in 1991 and 1993. It is a breach of trust. The only rationale for the reduced rate seems to be that it is cheaper for the senior government to download its responsibilities onto the municipalities.

• (1915)

However, it is certainly not cheaper for rural taxpayers who will pay more to cover the shortfall. They are hit twice, once as Canadian taxpayers to purchase the lands and once as municipal taxpayers to provide the services in perpetuity, the roads primarily, for these alienated pieces of land. That is not fair.

It is very easy for a government to be generous at the expense of someone else. If a debt is owed to natives for land unfairly taken from them, it is a debt owed by all Canadians and not just by a handful of Saskatchewan farmers. Why does this government find that so hard to understand?

Mr. David Iftody (Parliamentary Secretary to Minister of Indian Affairs and Northern Development, Lib.): Mr. Speaker, it is a pleasure to respond to the member's question.

There are only two minutes to respond. I will consult my notes briefly but I think by listening to the premise of the hon. member's question, he is absolutely wrong. I wish he would review his history with respect to the rule of law, contract law and some of the legal decisions that were handed down to this country through the privy council office even in England long before any of us arrived in the House of Commons. This set out the rules very clearly that the first nations in Canada had a legal interest in the land.

We had signed the treaties, therefore, based on the legal process. The land was given away illegally by successive federal and provincial governments. We are trying to rectify that.

I agree with the member that it is collectively a Canadian decision. The hon. member will know as well that under section 91 we have responsibilities at the federal level and under section 92 those are responsibilities at the provincial level as well. We are working within those responsibilities, in this case with the Government of Saskatchewan, to address those compensation issues.

I remind the hon. member that legally in this case we have no obligation to provide those kinds of grants back to the municipalities. It is done as a gesture to work and facilitate relationships between all the interested parties.

The member said he spoke for western Canada. That is not the case at all. I am from western Canada and I do not share his view on this process.

We are talking about Saskatchewan. We are working very closely with the Saskatchewan government to work out under the treaty land entitlement process acceptable arrangements. We are still in discussions with respect to fair compensation for third party interests that we recognize as legitimate.

TOBACCO

Ms. Judy Wasylcia-Leis (Winnipeg North Centre, NDP): Madam Speaker, I am pleased to pursue a question I raised in the House last December 3. It was about Bill S-13, the Tobacco Industry Responsibility Act.

This was the bill that would actually impose a levy on tobacco manufacturers of 50 cents per carton. This was the bill to help support this government's rhetoric around helping young people quit smoking and to encourage them not to start smoking in the first place.

This was the bill that was supported by all kinds of organizations, including the cancer society and hundreds of groups across the country and thousands of Canadians.

This was the bill that was supported by young kids themselves. I quote from a letter by Lee Smith from Chilliwack, B.C.:

I am 13 years old and I have smoked for a year. I am trying to quit. It is hard.

I support Bill S-13 that collects 50 cents on each carton of cigarettes because it will stop kids from smoking.

Thank you for your time.

P.S. Please help kids stop smoking.

Bill S-13 was the bill that the health minister said was a good idea. I quote from his comments to the media on June 3: "I think it is a good idea. I think it is clever. I think it is a good bill and we should go forward with it".

That is what we are asking today. Where is the bill? Where is this government's support of the idea in the form of some legislation or financial measure to ensure the spirit of the bill put forward by Senator Kenny is adhered to?

Instead of concrete action, all we get from this government is rhetoric. We get the Minister of Health saying this country has the best record anywhere in terms of anti-smoking provisions.

• (1920)

Instead of a great record we have a situation where cigarettes are now cheaper than they were before, tobacco profits are up, more kids are smoking, cigarette advertising has increased, tobacco is killing more Canadians and funding for anti-smoking measures has not been put in place as promised.

What we are asking for is a comprehensive strategy. We thought we would have that when we heard the minister was making a big

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announcement on January 21. There was no complete comprehensive strategy. There were measures on packaging, on bigger warning labels on cigarette packages and on the particular health effects if one smoked and so on. There was no comprehensive strategy. There was nothing in terms of the need to look at taxation, especially given that many provinces are offering cigarettes at a much lower rate than in the United States. That puts to rest the whole notion of dealing with smuggling.

We have no evidence from this government that it is spending the money it promised in the 1993 federal campaign and in the 1997 federal campaign, \$100 million, toward youth anti-smoking initiatives.

We are asking today where is the comprehensive strategy. When will we see the government act on the spirit of Bill S-13 and start acting in terms of protecting the health of our young people?

Ms. Elinor Caplan (Parliamentary Secretary to Minister of Health, Lib.): Madam Speaker, I am pleased to be here today to discuss the government's efforts to reduce tobacco use among young Canadians.

Protecting the health of our kids is a priority. We have put in place a comprehensive four pronged strategy that includes legislation, regulation, enforcement, research and public education.

In April 1997 the government passed the Tobacco Act, one of the toughest tobacco control laws in the world. It restricts access by young people to tobacco products, empowers governments to introduce stronger health warnings and establishes broad powers for tobacco regulation. Let me remind members that the World Health Organization has recognized our Tobacco Act as one of the toughest in the world.

We have initiated consultations on the process of regulation which would make those regulations among the most stringent in the world. We are addressing labelling and promotion of tobacco. We have already alerted Canadians to the realities of light and mild messaging. We have hosted a round table with experts to learn about strategies designed to increase public awareness and to ensure that concerns about tobacco are widely known.

We are working with provincial governments to increase compliance. We recognize this is a serious problem. That is why we are working with the National Cancer Institute on monitoring and surveillance activities.

We have committed \$50 million over the next five years to encourage and support young Canadians not to smoke. In addition, we have a caucus committee which is looking at enhancing options for tobacco public education efforts.

Our priority is protecting the health of young Canadians. As I said, we have a comprehensive strategy. The one thing that is certain is that the critic for the New Democratic Party will never be satisfied. That is a good thing. It is her job to complain, to criticize and to issue rhetoric. That is why we are here—

[Translation]

The Acting Speaker (Ms. Thibeault): Order, please. I am sorry to interrupt the hon. member.

The motion to adjourn the House is now deemed to have been adopted. Accordingly, this House stands adjourned until tomorrow at 2 p.m., pursuant to Standing Order 24(1).

(The House adjourned at 7.23 p.m.)

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