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(HANSARD)

Monday, October 1, 2001

—

Speaker: The Honourable Peter Milliken

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HOUSE OF COMMONS

Monday, October 1, 2001

The House met at 11 a.m.

Prayers

PRIVATE MEMBERS' BUSINESS

• (1100)

[English]

BUSINESS OF SUPPLY

Mr. John Williams (St. Albert, Canadian Alliance) moved:

That, in the opinion of this House, the government should fully implement the recommendations of the 51st Report of the Standing Committee on Procedure and House Affairs in the First Session of the 36th Parliament, entitled "The Business of Supply: Completing the Circle of Control".

He said: Mr. Speaker, I will talk about something that is near and dear to my heart this morning, which is making sure that parliament actually performs the work that it is supposed to do. I refer to the report on "The Business of Supply: Completing the Circle of Control".

The report was prepared during the 35th parliament and has had a rather slow gestation period since then. The report was co-authored by myself and the chief government whip, the hon. member for Ottawa West—Nepean. Another major contributor to the report was the Secretary of State for Asia-Pacific, the hon. member for Winnipeg North—St. Paul. The Bloc Quebecois and the NDP also made representations. The Tories were not a party in that 35th parliament so they were not actually at the table. The report enjoyed all party support. It was later tabled at a procedure and house affairs committee and subsequently tabled in the House after receiving the unanimous support of the Standing Committee on Procedure and House Affairs.

I would like to comment on a couple of points from the report itself. In the introduction it talks about the need for the report:

The established procedures for handling supply in the House of Commons are based on two fundamental principles. If it is to continue with its activities, Government must have some assurance that its requests for funds be answered by certain fixed dates.

Nobody is debating that, and the government ensures that it has its money when it wants it and that it has it in bulk.

The other point is that parliament, on the other hand, must be assured reasonable opportunity to examine the requests before they are granted.

The report also talks about the need for parliament to hold government accountable. This ranks among the principal roles that parliament is expected to perform in our democratic system.

That leads to the motion to adopt the report. Some 51 different recommendations contained in the report would ensure that parliament does exercise its effective control and supervision over the estimates before they are approved and the government gets the money it wants.

Unfortunately, over the last many years, we have allowed parliament's authority to be eroded. We have allowed our authority over the public purse to be transferred to the government, and this Chamber unfortunately becomes little more than a debating Chamber and a rubber stamp on the \$170 billion that the government now spends each and every year.

Let me quote from the auditor general just last week before the public accounts committee. She said:

I am concerned that Parliament has only limited means of holding the government to account.

Our current auditor general is very concerned. Her predecessor is also on the record as having said, in his December 2000 report:

It is discouraging to see new incidents of waste and mismanagement crop up hydra-like after older ones have been discovered and dispatched.

He also said:

All government spending should have Parliament's sanction.

Obviously it does not at this point in time.

He also said:

The principle that Parliament is the custodian of the public purse has been part of Canada's constitutional landscape since the country's inception.

All these issues are being eroded.

In 1977 the auditor general of that time, Mr. J.J. MacDonell, warned "Parliament is losing control of the public purse".

Parliament should never lose control of the public purse. That is why we are here. The institution of parliament is to ensure that we as parliamentarians, the elected representatives of the people, hold the government to account on how it spends \$170 billion each and every year.

• (1110)

That is an awful lot of money and an awful lot of taxes. Canadians deserve to know that someone is watching them and watching them closely to ensure value for money.

Private Members' Business

Everyday we hear of situations where money is wasted and spent needlessly. Money is spent even without parliamentary approval. The \$1.3 billion heating rebate to Canadians was spent by the government immediately prior to an election. It spent the money without parliament's approval. It came to parliament after the fact and sought our approval once the cheques had been issued. That cannot occur.

As members know, I published a waste report that highlighted some stupid and incompetent ways in which the government spends money through grants and contributions. I remember \$15,000 being given to someone who was hanging dead animals in trees in Manitoba. How can we tolerate that type of thing? Yet it goes on.

Therefore, this institution has a responsibility to ensure that if these things are not eliminated that they are at least kept to a minimum.

I will provide a short history lesson. Prior to the days of the Magna Carta, the monarch was completely and totally an autocratic dictator. If he wanted to lop someone's head off, the person's head was lopped off. People said that could not be done unless they were consulted first, and from the Magna Carta, which consisted of the aristocracy in Britain and England, said that the people had to be consulted first, developed the House of Commons, which is where we are today, and the Magna Carta stated that government cannot act without the authority of this place.

The monarch had the privy council, which consisted of his advisors. The monarch got smart one day and decided that if he picked an advisor from within the House of Commons, someone with stature, then perhaps the advice would be listened to by the commoners in the House of Commons. Lo and behold, that evolved and now we have the Prime Minister and the cabinet sitting in the front row. Therefore, the monarch by proxy has crept right back into this place and is controlling the House.

Unfortunately the backbenchers on that side of the House think of themselves as being part of government and the members on this side think of themselves as wanting to become government one day. We forget that the role of this institution on both sides is to hold the government accountable. That has been failing for years and is now, in my opinion, in a pretty sad state of affairs.

What are we talking about in the business of supply? First, as I said, there was \$170 billion of spending but, unbeknownst to the vast majority of Canadians, the House of Commons only votes on about \$50 billion worth of expenditures. The rest, \$120 billion, is spent without any reference to this place. People may ask how that can be. It is because of the way we pass legislation. It is usually included in a clause that grants a new program money forever and ever. It never comes back to this place for a vote, for approval, for debate or for discussion.

I am saying that the statutory spending, where the authority is included in legislation, shall be subject to a program review. Once every five to ten years it should be subject to appropriate evaluation asking four simple questions. First, do we still want this program to continue and, if so, what is the public policy that this program is designed to address in society? If it is not addressing any problem in society one may ask why we even have the program.

First, let us articulate the public policy the program is designed to address. Once we know that, we can ask the second question. How well is it addressing the problem it is designed to address? If it has shortcomings or failures we fix them.

We then ask the third question. Is it doing this efficiently? In this complex and changing world, we also ask the question: Can the same results be achieved in a different or better way?

If those four simple questions were applied to all programs it would save enormous amounts of money because it would ensure accountability, drive up efficiency and drive up focus in ensuring that the programs delivered to Canadians were what Canadians actually wanted. There are \$120 billion worth of expenditures and we could literally save billions.

• (1115)

We are also talking about tax expenditures. In 1992, for example, the auditor general cited as an estimate that in 1985 tax expenditures amounted to \$28 billion annually.

What is a tax expenditure? A tax expenditure is a deduction on our income tax returns, for example, for those who contribute to an RRSP. It never shows up as revenue to the Government of Canada. It does not show up as an expense on behalf of the Government of Canada. It is just a deduction on the income tax return. Therefore, we feel that we should evaluate the value of these tax expenditures to ensure that they are worthwhile. Are they just freebies given by the government to get more votes? There can be some confusion there. I am concerned only with ensuring that a tax expenditure provides value for money, and through a registered retirement deduction we of course want people to save for their retirement. We want to give people an incentive to save for their retirement. Therefore we give them a tax deduction, but let us analyze it to see that the benefits equal the returns.

We also talk about loan guarantees. Loan guarantees show up in the public estimates as one single solitary dollar behind which may be a contingent liability for hundreds of millions of dollars. We will never know until the loan or guarantee goes sour and the government comes back to parliament and asks for hundreds of millions of dollars. By then it is too late. The ship has sunk and the money is gone. We need to evaluate these loan guarantees at the time they are being given to see if they are prudent and wise and are part of enhancing this country's prosperity. If so, no problem, but we need to have the right in the House to examine loan guarantees.

Private Members' Business

We also talk about net versus gross expenditure. Now that the government is into a significant amount of cost recovery and it only shows the net, parliament needs to have the whole story presented to it where we can see the gross expenditures, net recovery and how much the government is paying. Again, the auditor general stated in his October 2000 report, at page 17-15, that the result of net versus gross expenditure is misleading financial disclosure.

Then we have crown corporations, again something that is never subject to scrutiny by this place. In 1999-2000 crown corporations cost us almost \$4 billion, yet that is never debated in this place. Many of these crown corporations are not even required to report to this place. I think it is time that crown corporations are subject to the scrutiny of parliament like everything else.

In addition to non-statutory spending, which we in the House somewhat review although that could certainly be improved, we are talking about statutory spending, crown corporations, tax expenditures and loan guarantees. Those are five areas that the House needs to be involved with and to scrutinize and check before granting approval and before the granting of supply for the government. We are not saying to cut it off. We are just saying to let us ask the appropriate questions of accountability, and if we are satisfied that the spending is legitimate and will benefit Canadians, then I am quite sure the House would not deny it. However, at this point in time the review is either perfunctory or non-existent. That has to change.

That is why the motion calls for the adoption of a new committee called the estimates committee, which would mirror the public accounts committee. The public accounts committee is a retrospective examination of problems, mismanagement and so on. We want an estimates committee that would look forward in analyzing and helping other committees do their job, to build the expertise and the knowledge, to hold the government accountable by asking the appropriate questions, by bringing in the appropriate deputy ministers and ministers and asking where they will be spending the money and whether it is appropriate.

• (1120)

This could be done by developing the issue of program evaluation. The president of the treasury board took a small step down that road when she introduced a new audit and evaluation policy last year. I would encourage her to think about moving that agenda even further and faster because it would ensure that Canadians get value for their money.

I could speak at length, but the notion we have to bring back to parliament is that the authority it has allowed to slip away must be recognized and it must be returned. How else will we ensure that Canadians right across the land get value for their money? The notion of accountability is fundamental to efficiency, honesty, integrity and everything else that is good in the world. When people are not accountable they run off the rails. Anything can happen. We see dictators around the world who have no accountability. They have slaughter, bankruptcy, fraud and corruption; they have everything.

What prevents these things from happening is having a government that is accountable, that has to live by the rule of law and not by whim. It is then that we get good government, and I want good government for Canadians.

I started by saying that the co-authors of the report were the chief government whip, the secretary of state and other members of the House and myself. I was not chairman of the public accounts committee at that time but I have been for the last few years. The report then came through the procedure and House affairs committee where it enjoyed all party support. There was unanimous support, Mr. Speaker. Therefore I would ask, because I am sure you will find it, that you seek unanimous consent to approve the motion.

The Acting Speaker (Mr. Bélair): Is there unanimous consent?

Some hon. members: Agreed.

Some hon. members: No.

[*Translation*]

Mr. Odina Desrochers (Lotbinière-L'Érable, BQ): Mr. Speaker, I am pleased today to speak to the motion by my colleague for St. Albert, the present chair of the Standing Committee on Public Accounts, of which I have been a member for the past year, within the second mandate entrusted to me by the people of Lotbinière-L'Érable.

I have had numerous opportunities to comment on auditor general reports, in particular those by Mr. Denis Desautels, who left that position last spring.

On many occasions, Mr. Desautels criticized the behaviour of the present government, and in particular the accounting system used by the Minister of Finance, who has often been faulted for his lack of accuracy in his budget statements to this very House of Commons since his appointment in the fall of 1993.

Last March, in his document "Reflections on a Decade of Serving Parliament", Mr. Desautels described his experiences as auditor general, concluding that the power of elected representatives over budget choices and budget monitoring had decreased considerably. He voiced serious reservations concerning the creation of various crown corporations or agencies to replace existing departments.

Indirectly, the creation of these new government organizations prevented him from doing his job properly, given the administrative restrictions included in the statutes and regulations of those organizations.

I would like to draw your attention the following comments by Mr. Desautels, first of all on the accountability of crown corporations:

I encourage Parliament to be more active in calling Crown corporations to account for their performance, their effectiveness in fulfilling their mandates, and the ongoing relevance of their mandates

In connection with the matter of control and accountability, he continues by saying:

As government moves more and more to delivery of services by arm's-length entities, it is essential that it do so with provisions for sound control and accountability. I urge it to draw on the successful accountability and control framework for Crown corporations and similarly establish new alternative service delivery and governance arrangements—many of which are now operating without an adequate regime of accountability and control.

Private Members' Business

Mr. Desautels' concern about the creation of crown corporations or agencies in place of departments is clearly reflected in the following comment:

Further, when the federal government reorganizes, it can create other problems. In 1997 the government established the Canadian Food Inspection Agency as a separate employer, merging parts of Agriculture and Agri-Food Canada, Health Canada and Fisheries and Oceans.

These three departments transferred over 4,500 employees to the new Agency and expenditures of about \$330 million a year. The Agency was granted certain freedoms to manage its finances, human resources and contracting, in return for improving accountability through a corporate plan that included objectives, performance expectations and an annual report on its actual achievements. After three years, the Agency still is not providing a clear and complete picture of its performance to allow Parliament and others to judge how well it has carried out its role.

As regards the new Canada Customs and Revenue Agency, Mr. Desautels expected more concrete results, this time:

In creating the new Canada Customs and Revenue Agency, the stated goal again was to improve services to Canadians. Eligible taxpayers wanted their child tax credits returned faster, importers wanted faster clearance of goods at the border, and corporate taxpayers wanted audits to be expeditious. While the structure set up to manage the new Agency appears sound, its first performance report is not due until later this year.

This report has yet to be published.

The former auditor general also commented that the government must ensure good management of its operations and support its ministers in this regard. Once again, I quote Mr. Desautels:

The federal government does not have a head office like those of corporations; our system of government makes Cabinet ministers individually accountable for many of the government's activities and collectively responsible for many important decisions. Nevertheless, to be efficient the government must co-ordinate the management of its operations and help departments improve their management practices.

• (1125)

Mr. Desautels spoke as well of his concern about the transparency of crown corporations and their finances. I conclude with the final remarks of the auditor general. On the need for transparency, he said:

Special examinations, agency performance reports, and the annual financial report by the Minister of Finance could all be used better to open up the operations of government to Canadians.

I took the time to cite the main themes of the report marking the departure of Mr. Desautels, because the motion being debated today relates to the comments made by the former auditor general. In the context of this motion, we are also addressing the report entitled "Completing the Circle of Control", a report tabled by the Standing Committee on Procedure and House Affairs, which proposes a solution for consolidating follow-up of the estimates by each of the standing committees of the House of Commons.

In its introduction, the report alleges that, according to a number of witnesses, departments and officials often consider appearances before the a committee to discuss spending to be a real trial. Sometimes members seem unaware of the efforts made by the departments to provide their services, despite cuts, or of the difficulty of the decisions to be made when plans and priorities are being set.

Oftentimes, in committees, witnesses and experts debate broad policy thrusts, passing quickly over the whole matter of estimates follow-up. The report is clear in this regard in pointing out that, since 1968, the standing committees of the House have examined the

estimates. This is the most efficient way to put government requests for funds under the detailed scrutiny required. However, it has been clearly established that, in recent years, the standing committees have devoted little effort to this aspect of their work.

Let us come back now to the recommendations in the report by the Standing Committee on Procedure and House Affairs. The committee given the task of analyzing this situation undertook the task with three objectives, namely to increase individual member participation in the working involved in budget forecasts and supply, to increase the House's ability to demand an accounting from the government and to better examine the government's estimates.

For, with the way things are organized at the moment, the estimates of each department and agency are sent automatically to the standing committee involved. Although it is very logical, this approach, as indicated in the document under debate today, has had very disappointing results. Therefore, a new committee must be set up with very specific objectives and terms of reference, as indicated in the document we are considering today, to be called the standing committee on the estimates.

This new committee would have the mandate to examine the estimates and supply review process and to report to the House on at least an annual basis on the operation and improvement of the process; to provide, upon request, advice and support to standing committees engaged in the review of the estimates; to review certain estimates and proposed expenditures on a program basis when more than one department or agency is responsible for delivery, with the agreement and support of the appropriate standing committees; to review the mechanisms used by crown corporations to report to parliament and to its committees on their annual projected expenditures; to coordinate its activities with those of the Standing Committee on Finance and the Standing Committee on Public Accounts to avoid overlap and duplication; and to sit jointly with these committees to discuss common issues.

I will elaborate on several of these recommendations. Since time is limited, I will give another example of the importance of this committee. This standing committee on the estimates would make recommendations so that a maximum of 5% of the amount of the credits for each of the estimates could be reallocated. If the government rejects these recommendations, it should justify its attitude right here in the House.

I feel that this report and its conclusion to establish a standing committee on the estimates would be a step forward to improve democracy in this parliament. This is why my party supports this motion.

• (1130)

[English]

Mr. Peter MacKay (Pictou—Antigonish—Guysborough, PC/DR): Mr. Speaker, I am pleased to have an opportunity to add to this debate, I hope in all humility, on the motion brought forward by the hon. member for St. Albert. I commend him for bringing the motion forward. I have the utmost support for what he is attempting to do. He has been a long advocate for greater fiscal responsibility in the House and in the country. The fiscal thistle that he is, as Chair of the Standing Committee on Public Accounts, reflects his natural proclivity in this area.

Private Members' Business

I have an initial problem with debating the motion to concur in a report that was first presented to the House of Commons in the 35th parliament. We are now in the 37th parliament. The original motion that was brought forward was transported back to the agenda of the 36th parliament which refused to deal with it. That is hardly what the new Minister of Justice so often refers to as "in timely fashion".

Few members now in the House were members of that original committee that wrote the report. Fewer still had an opportunity to hear evidence and, dare I say, even fewer have taken the trouble to seek out the report and read the evidence.

These objections could have been overcome if this motion would cause the government and the House to exert greater control over the scrutiny of spending. Sadly, this is not the case.

The search for better ways to examine the estimates and the scrutiny of public spending, as well as the performance of the bureaucracy, is hardly new. Regrettably, over the past four decades the House has not properly discharged its fundamental constitutional duty to properly examine government spending plans.

What is worse, we have willingly surrendered the procedural and constitutional tools needed by the House to examine the rightful influence over ministers and departments and government. In return for the supine attitude of members of parliament gaining predictable summer adjournments and the government getting unfettered access to the dollars and borrowed dollars of Canadians, the blunt reality is that members of the House of Commons are not willing to do the hard and complex work of leading estimates, becoming familiar with the overall activities of departments and then taking the time to demand answers to their questions or solutions to their grievances. The government caucus as well is only too willing to shut down any examination that makes it uncomfortable.

Look at the sad record of the government and the House, for we are all responsible for this shame. Departmental estimates of the multi-billion dollar annual expenditures routinely get less than 90 minutes of soft speeches in committees before the Liberals close the proceedings. Some departments do not even get that. Members of the House all know that the rules and the calendar will automatically approve the estimates.

The government thinks it is being accountable by making the minister available for a single meeting for an hour. We all accept this, tugging at our forelocks, pleased as punch to be in such august company for an hour. Yet we have the power to demand their attendance and to demand that they answer questions in full. We have the power to do the tough work that needs to be done. However, we act like mendicants, waiting for a crumb to fall from the cabinet table.

What is even more tragic is the Liberal backbenchers have been so pummelled and cowed into submission by the cabinet and the whip, they fail to realize that the estimates process is the only time when they can get ministers on the public record to sort out the problems of their constituents and to demonstrate to the Prime Minister that they know as much or more in the department as does the minister.

There are some members who are the exception to that and I commend them. They are few and their efforts are far between. I will be the first to admit that there are some members on the backbench

that know a heck of a lot more about how the public should have its money spent responsibly than some of the ministers.

This means that year in and year out the annual expenditures of the Government of Canada, this year in excess of \$165 billion, receive less attention than that afforded to the smallest town council in any of our constituencies.

We were reminded earlier this year by the Speaker's ruling that this government passed this year's main estimates in a way that is inconsistent with the standing orders of the House. The government trampled on the rights of all members of the House, and the majority of the members on the government side think that this is just fine. They wanted their vacations, they voted themselves a pay increase and moved on. That is not good enough.

We are not acting as prudent stewards of the public purse. This has been the case throughout the explosive inflationary spending history that has been created and the obscene debt load that is now borne by the country.

• (1135)

The current Prime Minister and the Minister of Finance during the Trudeau era liked to denigrate the Mulroney administration's financial record, but let us be intellectually honest.

When the Conservatives came to power in 1984, they inherited a \$38 billion deficit and skyrocketing debt. Moreover, the Conservatives then went about putting in place a fiscal plan during extremely difficult economic times that resulted, in the very least, in efforts to control and bring down the deficit and that happened. The much hated GST tax was to be cancelled when this government came into office but the government has continued to pour money into the public purse which has allowed us to create these surpluses.

Arguably, we do not hear the Minister of Finance and Prime Minister crowing about the surplus with great aplomb now that they realize there is a deficit in things like our military, in our internal security and in many of our social programs. The surplus does not seem quite as rosy as it did a short six months ago. Yet, this all came at a huge cost to the Conservatives of the day who were willing to spend political capital as a way to accomplish greater fiscal responsibility in government.

The finance minister of the day, whose political biological clock is ticking quite loudly, has again been very silent when it comes to how that surplus should be handled today.

There is a deeper and even more dangerous consequence to surrendering the purse strings. The House of Commons has castrated its ability to demand answers from the government of the day. We cannot hold up spending, so we cannot demand and get answers to tough questions. Since we no longer hold ministers to public account, it is easier for the Prime Minister and those in his immediate circle, the PMO and the PCO dictatorship, to seize the reins of government.

Private Members' Business

Benevolent dictators are still dictators. We need a new Magna Carta. Until the House takes back the power of the purse, there will be no checks and balances on the new King Johns of the 21st century or peut-être roi Jean. All of us should be alarmed by the accretion of power in the office of the presidential prime minister. Congress counterbalances American presidents. There is no counterweight to the presidential prime minister when the House has predetermined that he shall have unlimited access to the treasury. Our principal instrument of parliamentary power, the right to deny supply and thereby to set into train the dismissal of the administration, is now in ruins so long as the House neglects the business of supply. It is for this reason that I am unable to support this motion.

Around 1994 the committee looked at the business of supply. In typical Liberal fashion, it concluded that something needed to be done and it wrapped itself in the language of fiscal responsibility and then did what this government has done so many times. It did a U-turn. It did an Olympian-style back flip.

Instead of looking for ways to save dollars or restrain spending, the government invented a new way to spend money. In recommendation 14 it states that committees of the House should be able to reallocate approximately 5% of monies within an estimate. That sounds innocuous does it not? In principle, it violates the doctrine of the ministerial responsibility and the spending initiative of the crown. Parliament does not govern. We have the right to probe and discomfort those who do, but when we attempt to run the government, we undermine the foundations of our authority and force the removal of a minister or a government.

We cannot hold a government responsible for decisions when we attempt to join them in making basic governmental decisions. Ministers and governments are responsible to the House. If they are not acting in accord with the wishes of the majority of the House, the House can force their removal. They ought not to be able to take the 5% buy-off route proposed by this report.

Ministers should not be kept in office under a system of putting in the fix in the House of Commons. Under this system, a recalcitrant minister could remain in office and the House would re-jig an estimate to meet the wishes of the House. The dynamic tension at the root of the power of the purse is compromised by this proposal.

What would be the real effect? Members of parliament are by nature spenders. This recommendation would claim for private members a new privilege, what the American politician, John Randolph called "That most delicious of all privileges; spending other people's money".

Calvin Coolidge is reported as having observed "Nothing is easier than spending the public money. It does not appear to belong to anyone and the temptation is overwhelming to bestow it on somebody".

•(1140)

In conclusion, I urge the House to put parliament first and to get serious about real scrutiny of estimates. That means taking away artificial deadlines and making ministers appear in committees of the House. It means unpleasant confrontations and it means we will need to be parliamentarians rather than social workers.

Mr. Ovid Jackson (Bruce—Grey—Owen Sound, Lib.): Mr. Speaker, it is a pleasure to speak to the private member's business put forth by my colleague from St. Albert with regard to adopting the report on the business of supply.

I am reminded of people who get up nowadays to watch the 10 o'clock news. If we watch the news at fixed times, events unfold. We have a thing called real time and everyone knows that if we want real time news we go to CNN.

In the world today events unfold and there is technology and knowledge, yet the House and a lot of politicians fudge things. They make the way we address spending and the way we do business very political.

I will make a small point with regard to the ability of all citizens to monitor the government quickly and reliably. The government should have a transparent way of talking to people. To get the people's approval it should show them charts and explain the realities of what it is trying to do. That is done, as the member for St. Albert should know, by putting everything on the Internet where everyone can see it.

The previous speaker had some good ideas. He said the minister should appear before committee. There is nothing wrong with doing that at any time.

The member for St. Albert and his committee did some great work. The government was not sitting on its hands. It responded a number of times. In 1994 it tabled plans and priorities in the House. In 1996 the treasury board came up with performance objectives, which helped a bit. In 1997 House leaders got together and formed the modernization committee. Its work is ongoing and its recommendations are being worked on.

The member for St. Albert mentioned that the president of the treasury board in the year 2000 had a policies and evaluation report and a better method of accounting to parliament. Part of the recommendation is that we have some fundamental principles in the House. Through the act of 1867 the member is asking that the confidence convention on supply be reduced.

What are the implications of this request? It is probably a matter of debate. I do not have a lot of time today to discuss the pros and cons. However the current system functions well once we apply the initial reason the gentlemen quite rightfully put that in the act of 1867. It probably would have required a constitutional amendment and constitutional amendments are problematic, to say the least.

They are asking that they be empowered to increase or reallocate funds. We were elected as a government to do exactly that. We were elected to make sure we table the estimates, and we have done so.

The people elected our government based on a platform. In the platform are clearly stated priorities and objectives we want to accomplish. We were elected on that and we are accountable to that. We are not only accountable to the electorate but at the grassroots we have fireside chats with Canadians on a regular basis. The policies are fed back to the ministers who must account to the grassroots for how the policies are followed.

The events of the modernization committee have overtaken the recommendation. The member for Pictou—Antigonish—Guysborough alluded to it. He said this was in the parliament of 1993, and we are now into 2001. We have a whole lot of new players in the House and we understand how these things are done.

I was parliamentary secretary to the president of the treasury board. I was there when the program was reviewed. I know all those lines and am one of the few who knows exactly where the money should be spent. I have gone to the Senate for the estimates so I understand something about the dynamics of spending.

• (1145)

An hon. member: Will you support it?

Mr. Ovid Jackson: No, I will not support the initiative because it would take us backward in time. There are recommendations in it that are quite well documented. As the member for St. Albert said, many members have contributed to it. In one way or another we have tried to adapt and modernize it. Things done at the Treasury Board in the spring are tabled here in the fall so that parliament can be shown a results based analysis of what is happening on the files.

There are opportunities in the House for members to ask questions. However in a lot of ways these things are complex and require the auditor general to probe into them. I wonder if hon. members recall when the auditor general talked about military overspending. It was a boondoggle, according to my friend opposite.

A missile that cost quite a lot of money may be fired and not quite deploy itself. Should the military keep such a piece of equipment in its arsenal, attribute a number to it and never fire it, then get into a confrontation where it is fired and does not work? Is that a better scenario, where a lot of military people would probably be killed because a weapon does not fire?

Sometimes the opposition calls things boondoggles which are not boondoggles. Certain issues catch the eye of the electorate and the opposition talks a lot about them. However people make mistakes. We are not perfect. We always need oversight in what we do. We need to make sure we are accountable.

As far as I am concerned accountability rests with all of us. We must make sure we work with our colleagues on committees, that bureaucrats and ministers of the crown come to committees to talk about their plans, and that these things are posted on the Internet.

We need total transparency. Our methods of obtaining contracts, who we hire and all these things should be totally transparent. We should use all our scrutiny, oversight, accountability and efficiency to make the country better. We must stop getting into political games over how the government operates and spends money.

Private Members' Business

I cannot support the motion. As I have said before, it is not in keeping with the current situation. Current events have overcome the initial intent of the motion and it has lost its way somewhere in the system.

• (1150)

Mrs. Betty Hinton (Kamloops, Thompson and Highland Valleys, Canadian Alliance): Mr. Speaker, it is no secret that I am new to the House and have had a lot of learning to do. Perhaps it is a benefit in this case because I do not consider anything the House has done to date as sacred and not able to be changed.

The initiative makes perfect sense to me. We are asking for transparency and accountability. I believe that is what the people of Canada want. Four billion dollars which is not accounted for goes to crown corporations in Canada. That makes absolutely no sense to me or to any other Canadian.

My background is in business. I have always had to be accountable. I have tried my best during the years to make sure I was fair. That is what Canada needs as well. It needs us to be fair to the Canadian people.

Government does not generate income. That is no secret. The income the government spends comes out of taxpayer dollars. It comes out of my pocket, the pockets of members and the pockets of every Canadian. Things must change, and this initiative would be a good way to start.

I had the good sense to marry an accountant, so I have not needed to do a lot of the book work that goes along with day to day things. However when it came to the office of MP that all had to change.

Probably the most interesting experience for me so far was attending an estimates meeting. I did not realize there was such a limited amount of time and so few opportunities to ask questions. I found it difficult to comprehend all the intricacies of the budget because I was not able to ask questions. The initiative would go a long way toward clearing up these things.

Anyone in my caucus will tell the House I do not follow the party line on issues I feel strongly about, so this is not about party politics or being partisan. It is about common sense. It makes perfect sense to me and to every Canadian that we should think about the way we spend Canadian tax dollars.

We are not doing that. We are spending \$120 billion without any voice in the House. As members we represent people from across Canada. We have all been elected whether we sit on the opposition side of the House or the government side. We all have an obligation to make certain that money is spent properly.

I found it encouraging that both the House whip for the government and the Secretary of State for Asia-Pacific supported the initiative at the committee level. That is encouraging because it tells me this is not about partisan politics. It is about common sense and a better way to do things. We need to see the big picture in terms of where we are going, but we also need to be careful about how we proceed.

Private Members' Business

I have heard references today to the Internet. The Internet is a wonderful new tool that is available to some Canadians, though not all. The difficulty with the Internet is that while we are able to read information presented on it we do not have an explanation of it or an opportunity to ask questions.

We are talking about money here. We have come into a time when the world has turned itself upside down. We have many difficult problems to face. There are security risks we must take care of. There is a potential for a decline in revenue due to what is happening. I cannot think of a better time to take a strong and sober look at the way we do business in the House. This is important to us and we must do it.

We review every five years. There will be people in the House who will say the five year review is covered by elections. That is not quite the case. The Canadian people who fund the House can choose the person who comes here to represent them, but they do not have an opportunity or a voice to say how the money is spent. I do not see anything wrong with being accountable and transparent in our actions, especially when we are using money that comes from the pockets of Canadian taxpayers.

As I said earlier, nothing that goes on in the House is sacrosanct. We need to look at any way we can that might improve the way the House does business.

• (1155)

The most disappointing part for me as a new member of parliament is that if a good idea comes in front of the House, party politics quash it. When I summed it up to my children when I was talking to them about my new role, I said that when I hear a good idea I do not care where it comes from. If it makes sense I will support it.

Sometimes the attitude in the House can be summed up very easily: my dad is bigger than your dad. That is not what this is about. This is about looking after every person in Canada. It is not partisan party politics. It has to be common sense. Any time we have an opportunity as politicians to endorse accountability or transparency why would we not do so?

The reputation of politics in Canada has been tarnished. People have very little faith in their political representatives whether at the municipal, provincial or federal level.

Why? It is because we spend people's money without consulting them. We need to have an opportunity to take a good hard look at every dime we spend, stop thinking of it as found money and think of it as hard earned dollars. People are going without something in order to pay for that. If they are going to go without something in their own families where they work to earn their money and we have control over how it is spent, we had better spend it very carefully.

I will support the motion, not because it comes from my colleague the hon. member for St. Albert, but because it makes sense. I hope the House takes a different view of what is in front of it today and realizes that there was unanimous consent for it to go forward. It gives us an opportunity to ask those necessary questions and to make informed decisions.

I hope members of the House will join me today in supporting the motion. It may not be perfect, as my other colleague mentioned, but it is a pretty good first step and it is better than where we are today.

Mr. Alan Tonks (York South—Weston, Lib.): Mr. Speaker, I appreciate the chance to speak to the motion which calls upon the government to accept the recommendations contained in the House procedures committee report dealing with a review of the estimates. It is particularly gratifying since the review of the estimates is a key function of parliament.

However, as members know, finding an effective way of doing this often has proven to be a thorny issue for parliamentarians. It involves two vital principles that are difficult to reconcile, namely the need for government to have its request for funds dealt with by specific dates, thus allowing for the efficient administrative operation of the state, and the need for members to examine these requests in sufficient detail to ensure that taxpayer money is being spent wisely.

As parliamentarians our goal must be to balance these interests and to provide for adequate efficiency and oversight. The recommendations contained in the report are but one example of proposals tabled in the House aimed at resolving this issue.

I acknowledge the work of members of the House who have examined the issue. However simply rubber stamping all the recommendations as the motion suggests does not recognize the complexity and importance of the review process. It requires that we take a thoughtful approach to the issue.

We need to approach with some caution the report recommendation which calls for the establishment of an estimates committee charged with reviewing all estimates, particularly since existing committees have already been doing this work. According to the report such a system would allow for better review. Members would be able to devote themselves more fully to important functions and they would acquire a greater understanding of the supply process.

While it is a very appealing prospect, we know the devil is often in the details. It is not clear how this would be achieved. One way might be to ask some members to serve on more than one committee. However such an approach clearly has its problems. It would mean asking members who already are stretched to the limit participating in debates, attending caucus meetings, serving on committees and taking care of constituent needs to take on yet another responsibility.

Another idea might be to assign fewer members to existing standing committees in order to find the members needed. This also has its problems. It would mean depriving existing committees of the people needed to properly conduct their work.

How many times have we heard that we should be strengthening our committee structure? Having one committee consider estimates instead of letting all members review them could result in our losing the input and insights of parliamentarians who have in-depth knowledge of individual departments. Such a situation would damage our ability to fulfill our responsibilities.

*Government Orders***GOVERNMENT ORDERS**

● (1205)

*[English]***CANADA-COSTA RICA FREE TRADE AGREEMENT
IMPLEMENTATION ACT**

It is impossible to assess a department's spending estimates without first having a good idea of its performance, goals, priorities and knowledge which a number of members have acquired as a result of many years of experience. We need to recognize that a number of other benefits flow from the current system under which estimates are reviewed by the House and by committees charged with specific policy areas.

For example, it would encourage members to see the bigger picture. The current situation allows members to be able to connect the individual questions of budget with the overall policy issues involved.

While there is much good in our current estimate approach all of us agree there is room for improvement. That is why the House modernization committee made a number of recommendations aimed at increasing the role of the House and reviewing government spending plans.

Among them was a proposal that the House consider two sets of estimates each year. This would allow all members to continue to review estimates, provide a high profile televised reminder of the role that members have in granting funds to the government, and we all know how much we like that, and permit the House to benefit from the input of members with indepth knowledge of specific policy areas.

The adoption of this recommendation in the House would go a long way to improving how parliamentarians deal with the business of supply. Rather than pushing willy-nilly into improving these proposals we should allow ourselves to benefit from the new estimates review process which we have adopted.

Only then would we be able to do the best possible job of evaluating if further changes were warranted. If providing efficient government while at the same time ensuring proper accountability and saving taxpayer money is our goal, we have already gone a long way toward improving that process.

● (1200)

I will not be supporting the motion. Nevertheless I remain committed to working with all members of the House on these important issues, especially at the committee level. It is only by working together that we can find the right balance between promoting efficient government with efficient government procedures and holding departments accountable for the wise use of taxpayer money.

[Translation]

The Acting Speaker (Mr. Bélair): The time provided for the consideration of private members' business has now expired and the order is dropped to the bottom of the order of precedence on the order paper.

The House resumed from September 28 consideration of the motion that Bill C-32, an act to implement the Free Trade Agreement between the Government of Canada and the Government of the Republic of Costa Rica, be read the second time and referred to a committee.

Mr. James Lunney (Nanaimo—Alberni, Canadian Alliance): Mr. Speaker, the bill that we are to discuss at this time is Bill C-32, free trade between Canada and Costa Rica, a bill that involves a large number of areas of interest. It would provide improvements in market access for over 90% of Canada's dutiable agrifood exports to Costa Rica and would provide overall for immediate elimination of tariffs on 194 of Costa Rica's 653 dutiable agrifood product categories.

An extensive list of products would be involved. Export interests in Canada involve agricultural interests such as chickpeas, canary seed, barley flour, canola seed, maple syrup, wine and whiskey in the immediate tariff elimination category. There is interest in the frozen french fry market and certain dried beans and dried peas in the seven year phase out category. Third, it would involve flour, canola oil, margarine, honey, breakfast cereals and certain dried beans and so on.

The bill certainly would offer some opportunities for Canada but one of our concerns is that there is a very significant trade imbalance between Canada and Costa Rica. Currently Canada imports about \$186 million worth of products from Costa Rica compared to only about \$86 million worth that Costa Rica receives from Canada. That is about a \$100 million trade imbalance.

We recognize that free trade will be a give and take scenario. It always is. However the concerns from our standpoint have to do with the sugar industry in particular and the effect this would have on sugar in Canada. Canada currently has one of the most accessible sugar markets in the world. On refined sugar, we have about 8% duty. The Canadian Alliance promotes free trade and joint elimination of tariffs with our trading partners, but in this respect the bill would impact unfairly on Canada's sugar industry, particularly if it becomes a benchmark for other free trade of the Americas negotiations.

We have one of the most open sugar markets in the world, with an open tariff on raw sugar at zero and a refined sugar tariff at only about 8%. Canada produces almost enough refined sugar for its domestic needs and does so efficiently, as witnessed by our low tariff on refined sugar. U.S. and Latin American tariffs on sugar range from 50% to 160%.

The Canadian domestic sugar industry employs about 2,000 Canadians. It is directly responsible for full time employment for about 1,500 Canadians in refining operations as well as 500 beet growers and numerous seasonal workers.

Government Orders

There have already been extensive changes in the sugar industry. In the last number of years in Canada, the total sugar beet acreage, for instance, dropped from 56,000 acres in 1996 to about 33,000 acres in 1997 and tonnage dropped from about one million tonnes to about 650,000 tonnes. These raw beets are harvested and stored in fields. They are trucked to the factory where they are stockpiled outdoors. They are evaluated for their content, cleaned, sliced and pulped.

The industry has undergone extensive downsizing and reorganizing. The Canadian cane sugar refining and sugar beet processing industries experienced significant corporation consolidation and plant rationalization in the last 20 years. For instance, in 1981 there were five companies operating seven plants across Canada, including two beet processors. Today the industry has evolved into two corporate entities that operate five plants. Of these, only one processes beets. Cane plants are located in Vancouver, Toronto, Saint John and Montreal, port cities largely, for convenience of receiving the raw materials.

● (1210)

There is only one single beet plant, located in Taber, Alberta. Rationalization included the closure of the Winnipeg sugar beet processing plant in 1996 and it appears that the Saint John cane refinery may be shutting down.

I remember when I was growing up in Manitoba that Manitoba sugar beet growing and sugar processing was one of the industries we were aware of in our own community, but the industry has already seen quite a significant downturn. Our concern with this bill is that we are seeing a dropping of Canadian tariffs much more quickly than our neighbouring countries are. There have to be some lessons for us in what has happened in our agricultural sector where Canadian farms saw subsidies withdrawn much more quickly than American farms did. Other competing countries such as those in the EU have left our farm communities high and dry and in many cases struggling for existence.

Our concern is that if this bill as it stands were to become a template for other countries, particularly the other sugar producing countries in Central America, it could become a problem. We understand that currently Costa Rica does not refine sugar and that raw sugar imports are not a problem, but if it should get into sugar refining or if this should become a template for other countries it could become a real problem in sugar imports.

In regard to winners and losers we are concerned for jobs in the agricultural communities. If these tariffs are eliminated as quickly as it appears they would be, the jobs of 2,000 workers and spinoff jobs for thousands of others in the agricultural community could be affected. Of course there is an asset there and there would be a plus for sugar users, largely our big consumers in the cookie, bakery and jam industries, and those who use large quantities such as the soft drink and beverage producers.

However we are concerned about win-win solutions. If we pull down these subsidies or our own tariffs more quickly than other countries do, then we will sabotage our own producers. We have seen a lot of problems coming in where the winners are on one side of the country and the losers are on the other. Frankly what has come

to be known as western alienation is a concern to us in this party because we believe in a unified Canada.

Canada is big country with a lot of interests represented. I suppose it is like a big family with 13 children, the 10 provinces and 3 territories. However so often we see favoritism in regard to just some of the members of this family. I remember when I was growing up in Winnipeg that we saw it occur with the Air Canada overhaul base. It was hauled out of Winnipeg and went to Montreal, along with hundreds of high tech jobs. I remember the impact that had on the city when I was only a teenager.

There were others. I remember the instance of Bristol Aerospace Ltd. when Canada's aerospace industry was getting going. Bristol put in a very competitive bid, but it all went to the east, to Montreal. Later, when the Canadarm bid came up, Bristol Aerospace had a very good opportunity but again was turned down in favour of concentrating the aerospace industry in one centre in the east. A little later, just a few years ago, the CF-18 maintenance contract was slated for Winnipeg but got pulled out and sent to the east.

If one side of the family gets favoured repeatedly I do not know how we can expect to keep harmony in the family or keep it functional. Right now in my riding in the softwood lumber industry we have hundreds of workers out and idle because of the current crisis. When people in my riding see what is going on with Bombardier, such as the Canadian government providing big subsidies to Bombardier to produce regional aircraft and giving low interest loans even to American firms to allow Bombardier to supply them with aircraft, they wonder why it is the federal government cannot come up with funds to help out with the bonding issue to keep our mill workers employed, who are idle at present. We see the same thing occurring with farm prices because of drought. Farmers are in need right now and looking for help. They look to the government for some leadership in this area.

● (1215)

While our party is in favour of free trade, we are concerned about tariffs coming down in a manner that exposes our own industry to harm because they are brought down in an unreasonable, quick manner. We are opposed to the sugar components of this bill which would expose our industry to losses.

[*Translation*]

Mr. Pierre Paquette (Joliette, BQ): Mr. Speaker, it is with great pleasure that I rise to take part in this debate on Bill-32, an act to implement the free trade agreement between the Government of Canada and the Government of the Republic of Costa Rica.

Today's debate will be an opportunity to continue the debate first begun this spring and last winter concerning the kind of free trade agreement we want to have, bearing in mind that we are engaged in negotiations for a free trade area of the Americas scheduled to end in 2005. This agreement must be viewed in the light of this negotiation process.

Government Orders

Obviously, we cannot disagree in principle with a free trade agreement with Costa Rica. In this case, opening up markets gives all the countries, Canada, Quebec and Costa Rica, an opportunity to improve trade and increase wealth. Since Costa Rica is a developing country, a southern country, and has a right to the development of trade with a rich nation such as Canada, it can only benefit. We think that it is in the interest of all trade partners for the ground rules from a trade point of view to be known and respected.

The interesting thing about the case of Costa Rica is that this very small country managed to use the rules of the World Trade Organization to make the American giant see reason when it did not want to let Costa Rican textiles in. Costa Rica filed a complaint. A WTO panel ruled in its favour. The United States agreed to open its market to Costa Rican textiles, not because it was Costa Rica that was asking but because it was the WTO.

Trading nations throughout the world therefore have an interest in principle in seeing that the rules are as clear as possible. It is because we agree in principle that we are going to vote in favour of Bill C-32 at second reading.

That having been said, our final position is far from certain, because we have very serious reservations, particularly with respect to the issue of investment and the anticipated effects of this agreement on the refined sugar industry in Quebec and in Canada. The preceding speaker mentioned this, and I will be coming back to the topic of the very significant risks of this free trade agreement with Costa Rica for such sectors as the Lantic Sugar refinery in Montreal, which was mentioned by the member for Hochelaga—Maisonneuve last week.

If no changes are made to those two aspects of the agreement we will, as I said, be forced to reassess our position at third reading.

Of course, we will be told that it is going to be very difficult to backtrack on an agreement the Canadian government has already signed with Costa Rica. That is the government's fault, because if the process had been more transparent, if parliamentarians have been involved, if civil society had been consulted as the Minister for International Trade had made a commitment to do, we would not be in this situation. We are, therefore, refusing to be held prisoner by a done deal and we are not going to hand over a blank cheque to the Minister of International Trade, or to the Liberal government, because this precedent with Costa Rica, as in the other cases, will enable this government to continue negotiation process with regard to the free trade area of the Americas with the same lack of transparency, not involving parliamentarians and not consulting civil society.

It is time the government understood that democracy and transparency are now essential conditions for the successful signing of any free trade agreement, whether with Costa Rica or the with regard to the free trade area of the Americas. Enough is enough. The Liberal government is responsible for getting us into this situation, and now it is being forced to face up to its responsibilities and to get back to our Costa Rican partners on two aspects, namely investment protection and the predictable effects of the agreement on the refined sugar industry.

I thought that message had been understood at the Quebec City summit. With the experience of the failed multilateral agreement on investment at Seattle and the difficulties at the Quebec City summit, I thought that it had become clear for democratic governments, particularly the Government of Canada, which brags about being a model in this respect, that the era of negotiations behind closed doors was over.

● (1220)

Costa Rica is not a good example because we never heard about it and there were no consultations, even though, as I said earlier, the Minister for International Trade told us back in January that he would consult industry officials and civil society. But he did not do it.

I also remind the House that in the winter and spring the Bloc Québécois moved two motions to democratize the negotiation process on the free trade area of the Americas, but both of these motions were rejected by the Liberal majority.

In one instance, we unanimously adopted a proposal to implement a continuous process to consult parliamentarians and civil society, but nothing was done by this government; nothing was done by the Minister for International Trade.

During the debate on the free trade agreement with Costa Rica, the government will have to finally open its eyes.

This bill should also be put in the context of not only the negotiations on the free trade area of the Americas, but also in the context of the negotiations at the World Trade Organization.

If we miss this opportunity to have a substantive debate on the transparency and democratization of the negotiation process, chances are that, following some agreement at the World Trade Organization, the Liberal government will once again put us before a fait accompli.

The same goes for the ongoing negotiations with four Central American countries, namely Guatemala, Nicaragua, Honduras and El Salvador, in that we have absolutely no idea of what is going on with these negotiations. It is the same thing with the free trade area of the Americas.

As far as we are concerned, it is imperative that, in this agreement, we take into account the two themes or issues that I mentioned earlier.

The first one is the investment issue. The Minister for International Trade is playing with words. In the background papers that were distributed to us, we are told that there is no new commitment on investments and services, which is true.

However, this may suggest to some opponents that there is nothing in this agreement that resembles chapter XI of NAFTA on the protection of investments, which is false. There are no new commitments on investments, because these commitments were made in 1998, when the investment protection incentive agreement was signed.

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This agreement, which the Costa Rica—Canada free trade agreement refers to specifically, contains provisions similar to those found in chapter 11 of NAFTA. These provisions, according to a number of people, present considerable potential problems. This was evidenced recently by the proceedings UPS launched against Canada Post and the Government of Canada.

So, the free trade agreement with Costa Rica refers to this agreement for the promotion and protection of investments, and I will read article XII of March 18, 1998, which provides that:

Any dispute between one Contracting Party and an investor of the other Contracting Party, relating to a claim by the investor that a measure taken or not taken by the former Contracting Party is in breach of this Agreement, and that the investor has incurred loss or damage by reason of, or arising out of, that breach, shall...be settled amicably between them.

The following article provides:

If a dispute has not been settled amicably within a period of six months from the date on which it was initiated, it may be submitted by the investor to arbitration in accordance with paragraph (4).

Arbitration between a private party and a government is the prerogative of chapter 11, a chapter that was promised us. However, the Minister for International Trade had said that he did not want it in the final agreement of the free trade agreement of the Americas.

I note that the following appears on the federal government's website:

Canada is not advocating the replication of NAFTA investor-state rules in the FTAA and has not supported the proposals made so far by other FTAA countries to include such a type of dispute settlement mechanism.

As we can see, there is a blatant contradiction, since, once again, we see in the free trade agreement with Costa Rica provisions referring to another agreement—it is true—but they are the ones from chapter 11, which the government says it does not want to include in the final free trade area of the Americas agreement.

We might have expected that the federal government, the Minister for International Trade, would go back to the 1998 agreement to strike out the provisions and have disputes between countries, which are provided for in all the agreements, including that of the WTO, even those involving private business, settled by governments, by countries and not by private interests.

• (1225)

It is therefore essential to review this if the agreement is to be acceptable. Even though, as I mentioned, we support free trade in theory, we must ensure that it benefits the people of the Americas, in this case, the people of Costa Rica, Canada, and Quebec, rather than private corporations that would take precedence over the right of sovereign states to make decisions based on the interests of their citizens.

We have been told, and I think this is scandalous, that this agreement poses no threat, since there is very little, if any, Costa Rican investment in Canada. That is not the point. The point is whether we, as Canadians and Quebecers, believe that trade agreements must take into consideration the development of all populations, rather than defending the interests of our own capitalists. I believe, as a matter of principle, that this parliament must ensure that this situation is rectified.

In the case of sugar, which is the second aspect, and I believe that my colleague from Hochelaga—Maisonneuve outlined the difficulty, we gave Costa Rica better access to the Canadian market than what we would receive under this agreement, with respect to the Costa Rican sugar market. Obviously, we will be told that Costa Rica does not produce refined sugar, only a small amount of raw sugar. They export very little to Canada.

But that is not the point. Once again, we are setting a precedent, whereby in negotiations with the other four countries of Central America, including Guatemala, which is a very large producer—combined, these four countries export one and a half times the total industry production in Canada and Quebec—we will open up our markets to this raw sugar, and possibly refined sugar, since it will cost relatively little for Guatemalans to develop a sugar refining industry. We will be opening up our markets without them reciprocating.

Let us not kid ourselves. The market for refined sugar from Canada or Quebec will not be Guatemala, Honduras, El Salvador or Costa Rica, but the United States. The problem is that the Americans have a protectionist attitude and policy when it comes to refined sugar. As long as they refuse to open their markets, any opening in Canada's market for refined sugar from other countries will be a concession without an equivalent advantage.

We think it very important that this part of the agreement be dropped, not because we are protectionists like the Americans, but because we really believe in free trade. And because we do, we want this part of the free trade agreement between Canada and Costa Rica to be dropped and the Canadian government to propose multilateral liberalization of the refined sugar market, including, of course, the American market, as part of free trade area of the Americas negotiations.

In this context, our industry will have an opportunity to develop, to be competitive, and to hang on to existing jobs, as well as create more. As the House is probably aware, our sugar industry, especially the Lantic Sugar refinery in Montreal, has worked hard to become an international player. In this industry, we operate according to the rules of free trade, because the raw sugar refined in Canada is bought at market prices and not subsidized in any way.

If we truly believe in free trade, if we truly believe that free trade should serve the public and not just the private sector, it seems to me that we have a golden opportunity during the coming weeks to do something about it, to use free trade with Costa Rica as proof in the free trade negotiations that Canada wants to play a leadership role. The opportunity is there.

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I think that government members were somewhat deluded about the real impact of the issues surrounding this free trade agreement. We are not at all sure that we are going to support this bill at third reading. Work will be done in committee. My colleagues and I will have an opportunity to present a number of amendments to correct the situation, in the hope that parliamentarians will match actions to words and that the free trade agreement with Costa Rica will truly serve Canadians, Quebecers and Costa Ricans.

• (1230)

Mr. Paul Crête (Kamouraska—Rivière-du-Loup—Témiscouata—Les Basques, BQ): Mr. Speaker, I find it interesting that we are debating a bill concerning Costa Rica. It reminds me of an example given us by Mr. Parizeau, an excellent teacher, on the positive aspect of free trade. He said the fact that small countries such as Costa Rica could win issues against very large countries, as they had in the past, had to be played up.

The member for Joliette has shown us fairly clearly that there is another side to the whole issue of globalization. If things are not done sufficiently openly, we could easily end up with agreements such as the MAI, the multilateral agreement on investment. Had this agreement been approved, governments would have been made dependent on multinationals, dependent in terms of capital. The remarks we heard this morning are relevant.

I would like this to be a lesson to us. Other agreements are currently being negotiated. The free trade area of the Americas is under negotiation. When I was taking part in the demonstrations in Quebec City in support of those who want to give globalization a human face, the question heard everywhere was “Will you as parliamentarians have the tools to ensure that what gets signed in the end is acceptable?”

I have a question for the member for Joliette. Should we not draw on the lesson of the negotiations with Costa Rica to see what will be done differently and which of our allies in society can help us attain satisfactory results in future negotiations, positive results and free trade agreements that promote equality among peoples and a better distribution of wealth, and not the reverse.

Mr. Pierre Paquette: Mr. Speaker, I thank my colleague, the hon. member for Kamouraska—Rivière-du-Loup—Témiscouata—Les Basques for his question. I feel it is totally appropriate, even central, to this debate.

On the one hand, we are told that this agreement is not, in the end, all that serious because it repeats the terms of the agreement with Chile, more or less, which is inspired by NAFTA. It gets passed just like that, while they are fully aware that this is just one more agreement that is not seen as satisfactory by increasing numbers of people in the Americas, or in any of the democratic world.

In Quebec and in Canada, more and more people no longer accept the way governments negotiate these trade agreements with impact on all aspects of our lives, economic—and on that we are all in agreement, I think—social, cultural, or environmental.

Either we act as if there were no problem, and pass this implementing legislation because we have nothing against Costa Rica, which is true—in fact our feelings toward it are far from negative—or we take advantage of this opportunity, as my colleague

has said, to hold an indepth debate, not just on this agreement but on the entire process leading up to free trade agreements, be they the one with Costa Rica or future agreements with Guatemala, Honduras, El Salvador or within the framework of the free trade area of the Americas.

For me, there is an extremely important principle at stake, one that has moreover been referred to by the French Prime Minister, Lionel Jospin. Mr. Parizeau has used it as well, often, but I believe it merits some thought. Within the framework of trade agreements, whether continental or international, countries may delegate part of their sovereignty in order to ensure proper administration, to ensure that an agreement is properly implemented and respected.

But in no case must the sovereignty of states, democratic states in particular, be handed over to private interests.

As far as Chapter XI of NAFTA is concerned, that is what is happening; the same goes for the agreement between the Government of Canada and the Government of Costa Rica for the promotion and protection of investments.

I believe we have an opportunity here to regroup, to ensure not only that this agreement is beneficial and gets signed, but also that the coming agreements with the four other Central American countries and with all the other countries of the Americas, meet our wishes that they serve the interests of the general population, not monied interests.

• (1235)

Mr. Robert Lanctôt (Châteauguay, BQ): Mr. Speaker, I congratulate the hon. member for Joliette for his very eloquent speech. However, there is one thing that I would like the public to hear again. My colleague has often explained to us chapter 11 of NAFTA and its impact on the negotiations on the FTAA.

The process is even more advanced in the case of this treaty with Costa Rica. I wonder if, for the benefit of our fellow citizens who are listening to us at home, the hon. member could clearly explain again the impact of this chapter 11 in the treaty, since it seems that they are trying to include it in every free trade agreement, whether it is the FTAA or with Costa Rica.

Mr. Pierre Paquette: Mr. Speaker, I thank the hon. member for Châteauguay for his question. There can never be too many opportunities to explain the shift that be triggered by some aspects of NAFTA's chapter 11.

We all agree in this House that foreign investments are entitled to some form of protection. However, there must not be an imbalance, as was the case with chapter 11, between the rights of businesses and the ability of the states to create the collective tools that the public wants them to have.

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Under NAFTA, this was not fully duplicated in the Costa Rica—Canada investment protection and incentive agreement, two things present a problem. The first one, which is found in the agreement with Costa Rica, is that a private company can go directly to a court created under the agreement to take legal action against a government because of measures that it deems harmful to its profitability. This is the first problem and, in my opinion, a fundamental one.

The second problem with chapter 11 of NAFTA is the definition of expropriation, which is much too broad, as exemplified by the legal proceedings undertaken by UPS against the Canada Post Corporation, where UPS claims that Canada Post is guilty of unfair competition because it uses its infrastructures to provide courier services. We will get back to this later on.

I will wrap up my remarks by commenting on the matter of disputes. For a private company to sue a government directly, as part of an agreement which creates a tribunal, is most unusual. Apart from NAFTA, to my knowledge there is, no other agreement with such provisions.

In the case of the World Trade Organization, we have a perfect example involving Bombardier and Embraer in Brazil. Bombardier feels that it is suffering because of policies that allow the Brazilian government to subsidize Embraer's exports, especially those to the United States. Under no WTO agreement is Bombardier going to sue the Brazilian government directly. The company is represented by the Canadian government, which has filed a complaint with the World Trade Organization. The Brazilian government, on behalf of Embraer, is responding to this complaint. Governments speak for private companies. These are the sorts of mechanisms that we should have in NAFTA and in any free trade agreements we sign.

The impact of this chapter was underestimated. In an article that appeared in *Le Devoir* last May, Mr. Parizeau, who was in fact a supporter of the agreement, and no one would question his support for the North American Free Trade Agreement, admitted that he had underestimated the impact of chapter 11.

In conclusion, I know to his credit this summer, ministers for international trade from the three countries, Canada, the United States and Mexico, presented documents clarifying interpretation of this chapter. I examined these documents. In my opinion, they do not go far enough and the problem still remains.

The debate on the free trade agreement between Canada and Costa Rica is an opportunity to further consider this issue and to come up with solutions which serve the interests of Canadians and of Quebecers.

• (1240)

[English]

Ms. Wendy Lill (Dartmouth, NDP): Mr. Speaker, I am delighted to add my voice to today's debate on Bill C-32.

I will begin by reiterating my party's friendship with Costa Rica as one of our main trading partners. It is truly inspirational how Costa Rica has prospered as one of the oldest democracies on this side of the Atlantic, surviving in one of the most troubled regions of our hemisphere without a standing army.

We live in troubled times and I look to countries like Costa Rica as examples of how we can live in a more peaceful world. I also express my party's fundamental support for global trade rules based on fairness for the people of the world and which support fair labour standards, the preservation and promotion of cultural diversity and support of a sustainable global environment.

If we take the impact of the bill and ultimately the FTAA, we see in the sugar industry, for example, the differences between free trade and fair trade. The bill does nothing to promote better wages for Costa Rican sugar workers so that they can get access to our markets, and believe me, Canadians love sugar.

The agreement does nothing to ensure that sugar producers in Costa Rica meet the same environmental standards as Canadian sugar companies. To suggest that this is somehow a level playing field, speaks to the narrow vision of the drafters of the agreement. Their vision only sees money and balance sheets. Their vision cannot see the economies that the moneys flow into, the workers producing the goods or services, the internationally recognized beautiful cloud forests of Costa Rica that need protection or the families displaced by the implementation of the agreement.

What we oppose and what the hundreds of thousands of protesters who have been demonstrating in Vancouver, Seattle and Quebec City oppose are special rules embedded in trade agreements that give special rights to corporations trying to run over the rights of people and their elected governments.

I have said before in the House that I support trade. I support the jobs that come with trade. What I do not support is the set of global rules that say that people and their governments do not matter, only corporations matter.

That is the premise of NAFTA and its chapter 11. That was the premise of the MAI and that is the spirit of the bill when we remember that Canada has already signed special investment agreements with Costa Rica that effectively supplement Bill C-32.

Let us be clear about the government's trade agenda: support chapter 11 and expand NAFTA throughout the hemisphere, ultimately through NAFTA but, in the meantime, through little agreements such as this one and the one with Chile.

I would love to suggest that this is a government plan but I really think it is a corporate plan. I say that partly based on the erratic behaviour that the government has shown in the matter.

We saw the Prime Minister running in 1993 guaranteeing that NAFTA would not be adopted unless he got changes to protect Canada. He then adopted NAFTA with only a few cosmetic changes. The protests started, first at APEC, then Seattle, then Quebec City and then Genoa.

Government Orders

We had a glimmer of reprieve when the minister was before the committee a while back and said that investor rights would not move into the WTO, into GATS or into FTAA. However once again we saw corporate Canada send the message and the Prime Minister crack the whip to drive the minister back in line.

It is hard to know which party in parliament is being less democratic, the government or the official opposition. Both seem to want to hide public discussion and dissent behind closed doors and tall fences.

Last spring I was in Quebec City where 50,000 people marched into the streets to protest the undemocratic process being used to make decisions that would affect human beings around the world. The most common complaint of the hundreds with whom I spoke was the inclusion and existence of investor rights outlined in chapter 11, which, according to a leak on the eve of the summit, were to be included and strengthened in the FTAA. The bill would extend the regime to our relations with Costa Rica.

● (1245)

I was there as a member of parliament. It was clear that the place to be to find out what was going on in the hearts and minds of perhaps millions of Canadians was in Quebec City. The obvious place for the text of the free trade area of the Americas agreement to be discussed would have been in the House, as brought forward by our government, and in public forums across the country. Instead the text of the agreement was not made public until far too late for real comment. We as the elected representatives were outside the fence along with everyone else while corporate Canada lobbied for their interests behind the comfort of the police line.

Chapter 11 of NAFTA is about denying democratic culture. It is about destroying the democratic spirit of those outside the fence as resolutely as the police were committed to protecting the mass of concrete steel and barbed wire.

Critics of mine and the critics of other protesters have tried to say that New Democrats are anti-trade but that simply is not true. We are pro-trade. We are pro-community. We want our voices to count through our democratically elected governments. We do not want past mistakes of trade, specifically the recognition of investor's rights as being equal to the rights of government, to be preserved and expanded. We believe that business, money and the wealthy should not have special legal rights. Special legal rights in this context means that corporations get something that citizens do not, but NAFTA's chapter 11 says that the investors' rights are more important than citizens' rights.

I would not consider these rights special rights if a citizen could not go to a NAFTA tribunal and say "I need protection for my children, my way of life, my natural environment, my ability to have more than one point of view on the TV or in my newspaper, my income, my community or my democracy". However there is no way an individual can do this either as an individual or through a class action. Only corporations can.

It is a right in NAFTA under chapter 11 and it is a proposed right in the FTAA under section 15. Under chapter 11 a foreign company can sue a democratically elected government because the government chooses to operate state enterprises or allow for monopolies

that it deems desirable for the public good. Under chapter 11, the company can sue a democratically elected government because through its actions on behalf of its citizens it has denied that company the opportunity to profit in a specific sector of the economy.

We can imagine how our history would have evolved if this had been true in the past: no railways, no Canadian broadcasters, no Petro-Canada, no national airlines, no post office. This is not to mention the real threat which is to our public hospitals, our schools, our environmental controls and eventually our democracies.

Bill C-32 and the Canada-Costa Rica free trade agreement follow the NAFTA and the FTAA models of free trade that the NDP has consistently opposed because they put corporate rights ahead of human rights, the environment and democracy. To point this out, I will use an example currently before a NAFTA tribunal. UPS is suing Canada because it opposes Canada Post couriering mail. UPS is saying that because Canada Post is a crown corporation, which it is, and that it accepts parcels for delivery by the equivalent of a courier service, which it does, then UPS is losing potential profit and our taxpayers should cough up a chunk of tax money and give it to UPS, which we may have to do. It could win this one.

Under NAFTA, we no longer have the right to have crown corporations that are efficient, that use new technologies and that update their business plans to deliver a service which we as parliamentarians say Canadians want and need.

I do not think we have ever debated this in the House but it is not rocket science to realize that we are a big country with a small population that is very spread out. Having efficient, reliable and affordable services to send each other mail, parcels and goods makes a lot of sense to me, but apparently we can only do this if we first compensate UPS.

● (1250)

This case shows how we are stuck with agreements with ineffective exemptions that never allow public enterprises to change or modernize or to survive. If we lose our courier services at the post office, how long will it be until we lose the whole thing? How long will we wait before we are before a tribunal defending our hospitals, our schools, our public broadcasters or our military procurement?

These agreements and the right of investors to sue for perceived loss of profits because of changes in public services mean that the public sector will eventually be extinct. I disagree with this. Investors should have no special rights.

Government Orders

Our democracy is our most special public right. Under our charter, four of the five sections deal with guaranteeing these rights. However I am frightened that unless we change our tune on chapter 11 and these types of agreements such as the one we are debating today, these rights will be traded away for the sake of guaranteed profits for transnational corporations.

I believe that my constituents and all Canadians deserve better so I will be opposing this bill at second reading.

Mr. Gary Lunn (Saanich—Gulf Islands, PC/DR): Mr. Speaker, I am pleased to speak to Bill C-32, an act to implement the free trade agreement between the Government of Canada and the Government of the Republic of Costa Rica.

We have heard some interesting discussions this morning, most recently by one of the members of the New Democratic Party. I would like to put a few facts on the table as we hear a lot of the doom and gloom about the recent free trade agreements.

In the last decade or so, Canada has participated in a number of significant trade deals including the Free Trade Agreement in 1989, the North American Free Trade Agreement in 1994, the Canada-Chile Free Trade Agreement in 1997. More recently negotiations are well under way on the FTAA, the free trade area of the Americas, the goal being to bring 34 nations under a single trading area by the year 2005.

Let us look back at what the successes have been. Today, Canada and the U.S. enjoy \$1.4 billion daily in trade between our two nations. There are over 200 million crossings a year between Canada and the United States. This is a huge benefit to Canadians as a result of the Free Trade Agreement. I acknowledge it is not perfect and I will get into a few of those areas, but today Canada enjoys an \$18 billion trade surplus with the United States.

Trade agreements have been good for the Canadian economy, highlighting our competitiveness as a trading nation and strengthening Canada's national identity. Canada depends on free trade to promote economic growth, create jobs and sustain our standard of living. Trade generates over 40% of Canada's GDP. One in every four jobs in Canada is a direct result of these free trade agreements.

We have heard some concerns with respect to this latest free trade agreement with Costa Rica. I acknowledge that there are concerns on both sides, but by and large the benefits far outweigh the concerns. When NAFTA was being negotiated, similar concerns were being raised. People had concerns about various sectors, but by and large the Canadian economy has grown substantially. Again, Canada and the United States enjoy \$1.4 billion of trade daily between our two countries.

Right now trade between Canada and Costa Rica is \$269 million annually. By moving ahead with this free trade agreement I believe trade will grow and it will benefit Costa Ricans and Canadians.

Canada imports a number of goods from Costa Rica: fresh fruit, coffee, raw sugar, flowers, woven apparel, electrical machinery and preserved food. At the same time Canada exports paper, paperboard, fish, auto parts, plastics, wood, potatoes and wheat, among other things to Costa Rica. Our agricultural sector is looking for enhanced markets. There are opportunities.

One of the concerns on the Canadian side is that of sugar. The sugar refineries in Canada have raised concerns and I hear what they are saying. There are no sugar refineries in Costa Rica and only raw sugar is exported which our sugar refineries need. However, at the same time the Costa Ricans are worried about frozen potatoes, french fries. There are great opportunities for us there.

I am trying to make the point that there are always going to be concerns, as there were with NAFTA and other free trade agreements. However, at the end of the day Canadians have risen to the challenge. It has been great for our economy and great for producing jobs.

• (1255)

This free trade agreement would mean the elimination of Costa Rican tariffs on almost 94% of Canada's current agricultural and agrifood exports to Costa Rica. This means that our agricultural producers will get better access to these markets. The amount of \$269 million annually is obviously not large but it is a base amount which can grow.

The reality is that our trading barriers, the economic borders between our nations, have been evaporating for years. We can look at what has been happening in Europe. It is becoming one of the most powerful trading blocs globally. It seems to have eliminated all of the economic borders and has come down to one trading bloc. That is what we are moving toward in the year 2005 with the free trade area of the Americas. This agreement is just one small part in the move in that direction. I think it is going to be good for Canada and Cost Rica.

Some members have raised issues about environmental and labour standards. It is important that we put all the facts on the table. Side agreements were negotiated which included two parallel accords, one on environmental co-operation and another on labour co-operation.

In the spring I was with the minister on a trip to Costa Rica for the final negotiations of the trade agreement. I had an opportunity to meet with some of the government members and the minister in Costa Rica on this issue. They were as concerned as we are about the environment and labour standards. I think this is a win-win situation for both sides.

An environmental side agreement will promote a strong, ongoing environmental partnership based on environmental commitments. The labour accord will provide a framework for dealing with labour issues in the context of trade agreements and demonstrates Canada's commitment to promote workers rights in the context of trade liberalization in the Americas.

It is no secret that there are issues regarding labour standards in Costa Rica. It is a developing nation. We should not be looking at this negatively. Canada has an opportunity to help improve Costa Rica's labour standards as it moves through this.

Government Orders

Our commitment to try and increase labour standards can help pave the way. We can be a model for two smaller nations population-wise because each has approximately 30 million people. We can demonstrate our impact on helping to bring up Costa Rica's labour standards.

I acknowledge the concerns of the sugar refineries in Canada. However, looking back to NAFTA and other free trade agreements we have signed, if every concern raised was enough to scuttle the deal or was enough to say stop, then we would get left behind.

The reality is that the Americas, Canada and North America are moving to a trading bloc. We have to lead the way. We want to be out in front. We want to ensure that we provide every Canadian with new opportunities. We want to ensure the opportunity for real permanent job growth. This is the way it is going to happen. Sitting back and taking a cautious approach is not going to help Canada. We need to be bold, to take risks and to move forward.

Industry will rise to the occasion. It will create real, meaningful, lasting jobs. We cannot sit back and wait for the government to create jobs. Those jobs are not permanent. That does not work. It gives people a false sense of security.

By and large although there are concerns on both sides, the positives far outweigh the concerns. The pros are there. It is going to set a model as we move forward in the negotiation of the free trade area of the Americas. That is happening between 34 nations, and both Costa Rica and Canada are a part of that.

Let us get out in front. Let us demonstrate that we can make this work. Let us increase that trade. Let us open up new markets for some of our agricultural producers who are looking for new markets. At the same time, as with our sugar refineries, let us try to deal with the challenges as they come forward.

●(1300)

As I said, right now Costa Rica does not refine sugar as it has no capacity to do so. It only exports raw sugar. There may be opportunities there for our sugar refineries to increase.

Again, we should be bold and move forward. The members of the Progressive Conservative Democratic Representative coalition will be supporting the bill.

Mr. John Herron (Fundy—Royal, PC/DR): Mr. Speaker, I would like to take this opportunity to point out some of the remarks that the very learned member for Saanich—Gulf Islands made with respect to free trade. He pointed out that the enormous amount of growth in our economy that principally has evolved from free trade and that we trade over \$360 billion each year with the Americans. We have proven that trade actually can be very much a driver.

I would like to compliment the approach that the hon. member took in that there are always concerns about trade agreements. He commented that we could ratcheted some of the labour code issues up with emerging nations by dealing with a more developed nation like Canada. I also point out that we have had three provisions in those trade agreements on which we must maintain our sovereignty, those being environment, culture and our labour code.

What does the hon. member have to say about those other two additions that help us maintain our sovereignty with respect to the environment and culture, in addition to our labour codes?

Mr. Gary Lunn: Mr. Speaker, that is correct. There have been side agreements with respect to labour and the environment. It will not only allow us to maintain our identity, our culture and protect our standards in these areas and expand on them, but it also gives us an opportunity to help Costa Rica if it has areas of concern. It can see what we are doing.

In my discussions with the minister in Costa Rica, I discovered the people were quite interested in learning about our standards. It is an evolving nation which is growing rapidly. It is not only for the betterment of our nation to maintain our standards, but it also helps to improve theirs, which I think is great for society.

Coming back to the member's earlier point about challenges. There is no illusion. Look at NAFTA and the softwood lumber mess. There is no place in the country where it hurts more than in my province. We have to work through that. I think we will. I am very confident that we will get through this, and hopefully very soon. However, we can work through it.

If we had scrapped the North American Free Trade Agreement back in 1994, we would not be sitting at \$1 billion plus trade per day between our nations. There are 200 million crossings a year.

Yes, there are challenges as we go down this road and we need to rise to the occasion to deal with those. However, Canadians will be better off and so will the country.

●(1305)

Mr. Gurmant Grewal (Surrey Central, Canadian Alliance): Mr. Speaker, on behalf of the people of Surrey Central, I am pleased to participate in the debate on Bill C-32 regarding the proposed free trade agreement between Canada and Costa Rica.

The act tries to lay out the terms of a free trade agreement between two countries by gradually reducing trade barriers in goods and services. As we all know, free trade usually helps to raise the standard of living for both partners through increased competitiveness and lower prices. It can also do this if the agreement is balanced in its approach. If it is not, it will favour one partner more than the other. This is not the intention of free trade.

Taken alone, the bill may seem harmless, but if we look closer, the bill states that it would promote regional integration through an instrument that contributes to the establishment of the free trade area of the Americas (FTAA). Therefore, the bill is not just about Canada-Costa Rica free trade, but could be used as a model for a hemispheric free trade agreement.

We need to look at it very carefully. Canada already has a \$100 million trade deficit with Costa Rica, so the relationship is already an unequal one. The bill would only make the situation worse.

Government Orders

One example of a sector where it favours Costa Rica over Canada is in the sugar industry. Sugar is currently refined from sugar cane and sugar beets. Sugar cane is grown in tropical areas, whereas sugar beets are grown in temperate regions, such as Canada and the United States.

Canada currently has three sugar refineries to process raw sugar. This is down from seven 20 years ago. While Canada has some of the world's most liberal rules regarding importing sugar, our tariffs on imported refined sugar are 8%, while we currently have no tariffs on raw sugar for processing in Canada.

In terms of exports, our only really viable market is to the United States which imposes strict quotas of 12,000 tonnes of sugar a year.

Other countries like Costa Rica hit us with very hefty tariffs when we export sugar to their countries. For example, Guatemala has a 160% tariff on sugar imports, whereas in Canada it is 8%.

There is a company in British Columbia called Rogers Sugar which stands to lose a great deal from this agreement. I invited its management to my office to tell me their side of the story. This 111 year old company supports the livelihood of 650 people, including 450 farmers, and produces 140,000 tonnes of sugar each year.

The House already heard the desperate shape that our farmers were in during the emergency debate on the agriculture industry last week.

Is it this government's intention to add insult to injury by taking away the livelihood of those farms and their families? What about the effects on communities such as Taber, Alberta where Rogers has its beet sugar refineries? What will happen to these communities?

This company currently injects close to \$100 million into the Canadian economy through its operations in Vancouver and Taber, providing high quality employment to their employees, including 17 from my constituency of Surrey Central.

For companies such as Rogers, this agreement stifles the operation of market forces by giving Costa Rica more access to Canada than Canada gets to Costa Rica. So reciprocity is not fair.

• (1310)

Costa Rica does not currently use refined sugar, so there is no possible benefit to Canada on this score.

Trade agreements have to be negotiated fairly. The negotiations should be properly done effectively and efficiently for the benefit of Canada and Canadians. It should be a win-win situation over a period of time. An imbalanced approach cannot be used in negotiations.

I would say that this is not the only sector where this is true. One sector which is of great concern in British Columbia is the softwood lumber sector. We all know the fate of this industry. In this case, Canada is restricting trade to protect the domestic industry, not very effectively either I might add.

In the case of sugar, though, the government is signing an agreement which clearly benefits the other country more than us, and that is not fair. I thought CIDA was responsible for handing out

foreign aid. I did not think that the international trade had similar intentions.

By not paying attention to the spirit of free trade agreements, our government is not providing our industries with a level playing field in bilateral trading relationships with Costa Rica.

As I mentioned before, this agreement does more than open the door for the exchange of goods and services with Costa Rica. It is a model for the whole FTAA framework and the rest of the world through the World Trade Organization.

Also, we must see that regional trade agreements, such as the FTAA, cannot conflict with our WTO agreements. That means we must provide the same benefits that we are providing Costa Rica to our trading partners. So then the agreement could be used as a lever for other countries to extract concessions from us in other sectors and other industries.

Free trade, when done right, leads to lower prices for consumers. However, free trade must also be fair trade. It must benefit both partners equally.

At the same time, at a time of economic uncertainty, we cannot afford to do anything which threatens jobs in Canada.

The people of British Columbia have already been hurt through the government's bungling of softwood lumber, tomato dumping in British Columbia, the mining industry, fisheries, tourism, the film industry and many others. We cannot let it do it to our sugar industry as well.

We owe it to the farmers and workers affected by these industries to oppose the bill and others like it. This will not be the last free trade bill that comes through the House. Markets work best where government intervenes the least. That is what a free market is.

When the government does intervene, it must try to promote fairness and look at the whole web of Canada's trade relations with other countries. We cannot afford to be too shortsighted about the issue. We must look at the bigger picture and its future implications. The bill sets a dangerous precedent so I must oppose it.

In conclusion, I would say that the elimination of the tariff on refined sugar imports from CA-4 countries would greatly enhance these countries' competitiveness in the Canadian market.

The cost of this to domestic producers could exceed \$30 million Canadian in the short and medium term. The benefit to Canadian consumers would total between \$9 million to \$13 million Canadian.

The impact on the industrial end users and consumers and CA-4 producers and importers would depend ultimately on whether local producers concede market share or compete on price in the industrial market segment.

Also, given that the CA-4 producers would be able to supply the domestic market at a lower cost than the Canadian producers, the immediate removal of the tariff would result in an increase in competition in the local market.

Government Orders

•(1315)

Although we estimate that certain Canadian producers could compete with imported sugar on a cash cost basis, no industry is able to operate on this basis in the long term. However if the tariff were eliminated gradually, this would enable domestic producers to decide if and how they would respond to the new challenge and to implement their response accordingly.

In the longer term the FTAA will pose new and more complex challenges. In addition to opening up the Canadian market to imports of sugar from major sugar producing countries such as the United States and Mexico, both of whom have considerable logistical advantages in supplying Canada compared with the CA-4 countries and Brazil, which is an enormous and very low cost sugar producer, the FTAA would also increase the opportunities for industrial end users to relocate their production bases to other countries in the Americas.

This agreement does not have a balanced approach between Canada and Costa Rica. It is setting a precedent which would be dangerous for Canada and Canadians. Therefore I must oppose the bill.

The Deputy Speaker: Is the House ready for the question?

Some hon. members: Question.

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.

And more than five members having risen:

The Deputy Speaker: Call in the members.

And the bells having rung:

The Deputy Speaker: Accordingly the vote on this matter is deferred until Tuesday, October 2, at the end of government orders.

* * *

EXPORT DEVELOPMENT ACT

Hon. Anne McLellan (for the Minister for International Trade) moved that Bill C-31, an act to amend the Export Development Act and to make consequential amendments to other acts, be read the second time and referred to a committee.

Mr. Pat O'Brien (Parliamentary Secretary to the Minister for International Trade, Lib.): Mr. Speaker, it is an honour to lead off second reading debate on this important piece of legislation. This

legislation results from an extensive review of the existing Export Development Act and of the activities of the corporation it governs, that is the Export Development Corporation or what we commonly call EDC.

The bill contains specific amendments that flow from a comprehensive review process which began in 1998 and brings a balanced approach to change at EDC. This legislation also complements other policy direction from government, as well as changes that have been initiated by EDC since the review process got under way.

It is fair to say that the period leading up to this legislation has seen the most thorough review of Canada's export financing activities that has ever been undertaken. The broad based review included public consultations, parliamentary committee recommendations, and advice and recommendations from many other experts, stakeholders and independent observers.

The bill now before the House is a product of a focused discussion on what is best for Canada in the intensely competitive world of international trade as well as a thorough examination of how best to reflect Canadian values in our dealings with other countries.

A key feature of the bill is a new statutory requirement for the environmental review of projects being considered for EDC support. This is a significant change that positions Canada in the forefront of the international community in efforts to more closely link export credit activities and environmental impacts. The bill also includes other statutory changes that provide the necessary legal basis for a number of operational changes at EDC.

Bill C-31 fulfills a commitment made by the Minister for International Trade last June. At that time the minister announced important policy changes for Canada's export credit agency. He said he would introduce enabling legislation this fall. Bill C-31 completes the package by providing the necessary legal basis for change.

The minister's June announcement was based on conclusions that came out of the review process I mentioned a moment ago. To understand how the amendments we are debating today flow from the review, it is useful to understand something of the process itself.

As members may know the Minister for International Trade, in consultation with the Minister of Finance, is legally required to periodically review the act under the terms of the act itself. This requirement stems from changes that were made to the act in 1993 by the parliament of the day.

Those changes include a significant expansion of the commercial mandate of the Export Development Corporation so that it could fill perceived gaps in the private sector financial services market or more actively support the international financing needs of Canadian exporters.

These changes proved to be very effective. The corporation's financial support to Canadian exporters grew from about \$12 billion in 1993 to more than \$45 billion last year. In that time Canadian businesses have expanded their market reach all over the world.

Today exports account for over 40% of our GDP. Approximately one-third of our jobs are directly dependent on our success in export markets.

Government Orders

It is clear that the Export Development Corporation is a key part of our country's success in export markets. The EDC has demonstrated its value to Canada by filling gaps in the private sector's financial services, by reaching out to bring more small and medium size businesses into the export marketplace, by providing needed financial support to Canada's customers in developing countries, and overall by ensuring that Canadian exporters have access to the kind of financing that will keep them competitive with exporters from other countries.

Due to the fact that the EDC plays such a key role in our country's trade development strategy, we must ensure that it will continue to meet the competitive financing needs of Canadian exporters, and especially the small and medium size businesses that are the backbone of our economy and the main creators of jobs throughout Canada.

• (1320)

This need has become even more important as economic conditions around the world have tightened and market conditions for Canadian exporters have become even more competitive. At the same time EDC's operating policies and financing activities must reflect Canadian values in areas of corporate social responsibility, the environment, human rights, public accountability and transparency.

As legislators our public policy challenge is to find a balance between the twin priorities of international business competitiveness and corporate social responsibility. Bill C-31 helps to do just that. It also complements other initiatives to bring about a balanced approach to change at EDC.

For example, taken together with earlier policy guidance provided by the Minister for International Trade, the bill builds on a process of change at EDC that has benefited from the extensive public review process which took place over the past three years.

The first step in the process was the commissioning of a consultant study in 1998 undertaken by the well known law firm Gowlings. The Gowlings team undertook a comprehensive study of the Export Development Act as well as the corporation that the EDC governs. Gowlings also assessed Canada's export plans and needs within the international policy environment including extensive stakeholder consultations as well as detailed surveys and independent research.

Gowlings found that EDC enjoyed a very positive reputation in the Canadian export community. EDC is highly regarded as a Canadian success story by both its customers and its competitors.

EDC has gone out of its way in recent times to widely survey its clients. There is a tremendous level of satisfaction with the service that it delivers. I frequently hear from constituents and major companies in my riding about how important is the help and work of EDC.

I cite General Motors Defence of London, Ontario, as a good example. It is very appreciative of the efforts of EDC in the export work that it does. Some 80% of General Motors sales are in the export market.

The Gowlings report also raised concerns. It said that EDC's project financing decisions might not give proper regard to the

potential environment in human rights impacts in other countries. Among Gowlings' recommendations were proposals to improve accountability on environmental and human rights matters.

The Gowlings report was tabled in parliament in July 1999 and referred to the Standing Committee on Foreign Affairs and International Trade, or SCFAIT, as well as to the Senate banking committee. Both committees held hearings, heard from witnesses and produced reports for the government's consideration.

The Senate banking committee focused on the relationship between EDC and other Canadian financial institutions. The committee's report recommended a form of private export credit guarantee that is now being studied. SCFAIT's review was more wide ranging. Through a series of hearings and round tables a broad range of advocates from both business and public interest groups as well as many other experts were heard from. Many written submissions were also received by the committee.

In his report to parliament SCFAIT's chair noted the challenge of addressing and balancing two sets of public policy objectives through EDC. On the one hand he said EDC must be open and accountable so that Canadians can ensure that it reflects their values in its dealings with other countries. On the other hand Canadian exporters must have continued access to the kind of financial services that are vital to their competitive position internationally.

The SCFAIT report offered recommendations to achieve this balance. An overarching recommendation was a proposal to amend the Export Development Act so that EDC supported activities would deliver both economic benefits to Canadians as well as meet Canada's international commitments and obligations, particularly those related to environmentally sustainable development and human rights.

• (1325)

Bill C-31 follows up on the spirit of that key recommendation. The Auditor General for Canada has also provided advice on EDC that the government has found helpful and that is relevant to the bill before us.

Last year, in response to a request from the government, the auditor general studied the environmental review framework that EDC had introduced earlier. EDC brought in its own environmental review process in 1999 but public concerns had been raised about its rigor and clarity. The government wanted the auditor general to examine the suitability of EDC's environmental review framework and to assess its performance in implementing it.

The auditor general delivered her report in May of this year. She concluded that EDC's environmental framework contained "most elements of a suitably designed environmental review process". This was a useful finding. It indicated that EDC was on the right track with its approach to environmental review.

Government Orders

However, the auditor general also identified a shortcoming when she cited a significant difference between the design of EDC's environmental framework and its operation. Although she concluded EDC was on the right track with its approach to environmental review, she also signalled that its operating policies and procedures needed to be improved.

Following on this report, the Minister for International Trade provided a clear set of guidelines to the corporation for the management of its environmental review practices.

EDC has taken to heart the advice it has received and is currently engaged in wide public consultations aimed at strengthening its environmental review framework. In a related move, the corporation is also bringing in a new disclosure policy as a follow up to stakeholder consultations.

It is important to note that the debate on whether or not an environmental review of EDC projects is needed is over. Everyone feels that it is needed. Representatives of both the business sector and public interest groups agree on the need for environmental review. With this bill, the government is using the Export Development Act to provide a statutory basis for an environmental review process at EDC. The next step is for the corporation's board of directors to develop a directive to make the objectives and the expectations of the review process clear and workable.

EDC is now at work to develop a more rigorous environmental review process, one that will meet both economic and social responsibility objectives and one that will have the force of law as proposed by the bill. This move to a statutory requirement for the environmental review of EDC projects is a significant step forward by Canada on the world stage.

A number of other countries, notably OECD member countries, are now looking at measures that would require their national export credit agencies to carry out environmental reviews of projects being considered for support. With this bill, Canada will be among the first to make environmental review of such projects a matter of law.

At the same time, the statutory approach presented in Bill C-31 does not put Canada out of step with emerging trends and developments in other countries. For example, some Canadian public interest groups have argued in favour of bringing EDC's environmental review activities under the authority of Canada's Environmental Assessment Act. However this approach would be inconsistent with developments that are underway elsewhere within the international community, including in the OECD, where most of our export market competitors are found.

In other words, the bill positions Canada as a leader in the international move to higher standards for the environmental review of export agency finance projects. However, it does it in a way that will not put Canadian businesses at a competitive disadvantage to exporters from other countries. This is a key point. It is a further illustration of the need to find a realistic and practical approach to balanced change at EDC.

• (1330)

The bill also proposes some administrative amendments to the existing act. For example, the bill proposes a change in the corporation's legal name to Export Development Canada in English

and Exportation et Développement Canada in French. This means the acronym EDC will be the same in both of our official languages.

This change simply reflects the reality of everyday business usage by EDC's clients. It will also allow the corporation to build on its very positive EDC brand name in Canada and abroad. I might add that by having the name of our nation, Canada, in its title, it obviously would play very successfully on the tremendous goodwill throughout the international community that we as Canadians experience every time we travel anywhere in the world. I know Canadians from all walks of life share that experience.

Other changes include: an amendment to enable the board to delegate powers and duties to committees that it may establish. This reflects modern business management practice and is consistent with practices followed elsewhere in both the public and private sectors.

An amendment to exempt EDC's activities from the provisions of the Canadian Environmental Assessment Act. This amendment is included to avoid the potential for duplicate environmental reviews in cases when EDC may be involved in partnership with another organization that is subject to CEAA.

An amendment to enable the EDC board to establish a pension plan for officers and employees of the corporation. This amendment speaks for itself.

Finally, I want to comment on the amendment that would require the auditor general to audit the design and implementation of EDC's environmental review process at least once every five years. This too is a key measure. It ensures that EDC will remain publicly accountable for its environmental review performance. I also note that the Minister for International Trade has asked the auditor general if her first audit could take place after only two years. This is not required but the minister has been very proactive in putting forward this proposal, and should be applauded for it. It shows how seriously the minister and the government view this entire initiative in showing environmental accountability.

The amendment to require EDC's board to establish a directive to determine whether a proposed project is likely to have adverse environmental effects should be welcome news for those who want legal force for environmental review at EDC.

The amendment to require the auditor general to audit the design and implementation of that review process should be good news too. It means that EDC's environmental review performance will remain subject to the scrutiny of the auditor general, an officer of parliament who is independent of the board, or for that matter of the government.

To conclude, EDC is a vital part of Canada's export development efforts. Businesses, large and small, all across Canada depend upon the corporation to provide the financial services they need to be successful in the intensely competitive international marketplace. I have cited already the example brought to me repeatedly by my friends at General Motors Defense in London, Ontario.

Government Orders

At the same time, as a crown corporation, EDC must reflect Canadian values in its policies and operations. Environmental review is an essential aspect of that. The bill would provide statutory force to this key area of corporate social responsibility.

To sum up, there are three basic reasons why the House should support the bill. It facilitates the continuing process of change toward a stronger and more effective EDC. It brings the force of law to the environmental review of EDC projects. It ensures that the auditor general, on behalf of the Canadian public, will continue to monitor and report on EDC and its environmental review performance.

I would urge all my colleagues in the House to support the legislation.

Mr. Gurmant Grewal (Surrey Central, Canadian Alliance): Mr. Speaker, I am pleased to rise again on behalf of my constituents of Surrey Central to participate in the debate on Bill C-31, an act to amend the Export Development Act and to make consequential amendments to other acts.

The parliamentary secretary explained the government's side of the story. Now I have the opportunity to explain the story from the opposition's point of view. However, before I do that, for the folks who are watching and listening to the debate I would like to give a brief background.

Legislation governing EDC, Export Development Corporation, requires ministerial review of the act. A review commenced in 1998 concluded with a report by a law firm. The report was reviewed and reported by the Standing Committee of Foreign Affairs and International Trade. The result of that report is the amendment to Bill C-31 which is what we are debating today.

In general, the bill is of a housekeeping nature and simply updates the act. If passed it will enable the board to delegate its powers. It will require the EDC to establish a pension plan for its employees.

The treasury board policy encourages crown corporations to arrange comprehensive, independent pension plans for their employees. However CPP, one of the key pension plans managed by the federal government, is the worst managed pension plan. It has been earning even less than the interest on a savings account. Its surplus funds were grabbed by the Liberal government and the chief actuary of the CPP was fired for being forthright and not yielding to the Liberals' pressure.

Prior to these amendments, there were no legislative environmental review requirements of the EDC.

If the bill is passed, it will require the EDC to determine if a project is likely to have adverse environmental effects and whether it would be justified for the EDC to enter into a transaction.

The previous speaker talked about the environment. The Canadian Environmental Assessment Act will not apply to the EDC's reviews, so that Canadian environment standards and laws are not imposed on other sovereign nations. How can we do that?

The objective of the substantive environmental amendment is to strike a balance between trade competitiveness and concern for the potential environmental impacts of projects supported by the EDC.

●(1345)

The auditor general recommended that most international financial institutions, including export credit agencies, have environmental policies and procedures. A consensus emerged on the elements of good practice that an international financial institution should adopt, to ensure that the projects it supports are environmentally and socially responsible.

Industrialized G-8 and OECD countries developed common environmental guidelines for export credit agencies. Some of the guidelines include: To strengthen EDC's environmental review process, EDC needs to make changes in both the design and operation of the framework; to close the gaps in the framework's design, the EDC should focus on enhancing transparency through public consultation and disclosure; and, to strengthen the framework's implementation, the EDC should concentrate on the tools that identify environmental risks in the screening process and on monitoring to ensure that the framework is operating efficiently and effectively.

Let me point out that my constituents and I, and members on this side of the House, are for the protection of the environment. Canadian Alliance policy supports sustainable development initiatives.

I would venture to say that on all sides of the House, members want to protect the environment and work on projects related to greenhouse gas reductions and improved air and water quality so that we can hand over the plant to future generations in a better condition.

However, as a government, the Liberals have mismanaged our environment and have failed to provide sustainable development.

They have signed international treaties, including Kyoto, Beijing and Rio, for example, with no intentions whatsoever of carrying out their commitments. They made those commitments without consulting Canadians, parliament and the provinces. They have failed to provide these commitments with the scientific support they required to be attained. They made political decisions about matters that required scientific decisions. They made decisions not based on scientific facts or on what Canadians can do and want but just for political intervention or motives. They have allowed the endangered species legislation to die on the order paper of the House twice.

Another problem with the bill is that EDC is being used more by the Liberal government for political favours than other crown corporations and agencies, such as CIDA, HRDC, Western Economic Diversification, ACOA and many others. These agencies should not be used for political purposes. They should cater to the needs of Canadians.

There are rampant patronage appointments in crown corporations. Most recently, Mr. Bernard Boudreau, a short term senator and cabinet member, who ran unsuccessfully to become a Liberal MP, was appointed to the board of the EDC. The bill does not address the issue of patronage appointments at all. The practice should end. Those appointments should be based on merit, not on who is a friend of the Liberals. They have been giving those positions to friends and failed election candidates who were rejected by Canadians.

Government Orders

The Canadian Alliance recognizes the essential part financial institutions play in the everyday lives of Canadians. We will protect the best interests of consumers by fostering competition and ensuring that the financial services sector is adequately regulated, without impairing stability or opportunity for success and growth in these institutions.

Most of the services provided by the EDC, such as short and medium term export insurance and financing, should be privatized. The rest of the EDC would have to become a division of DFAIT, the Department of Foreign Affairs and International Trade, and be directly accountable to parliament. This division could provide occasional loan guarantees and other services which are beyond the scope of private sector, such as long term insurance, political risk reassurance and projects that are not commercially viable but may be deemed to be in the interest of the nation.

We understand that the organization can get involved in those areas but not to provide political favours for the weak, arrogant, Liberal government's friends.

In 1991 the United Kingdom privatized its equivalent export agency, called export credits guarantee department, to ensure that there were no implied trade subsidies in the EU from one country to another. The United Kingdom government provided the political risk reassurance to the private company which took over the ECGD.

To serve the exporters better, there should be true competition in the export and financing business. They should have free market and competition. That is what the government should encourage. They should have the opportunity to directly deal with their own banks or insurance brokers to have their exports financed and insured. That is what businesses need. If the banks got into the business, exporters may receive 100% financing in addition to speedier and personalized efficient services.

In conclusion, the bill does not address the concerns that I have just highlighted. I ask the government to address these issues and make appropriate amendments to the act. Otherwise, I will be left with no choice but to vote against the bill.

Members on this side of the House recognize that while the EDC enjoys a high level of support in certain segments of the business community, it is being used by the Liberal government for political purposes, including recent television advertising.

We should and we must oppose the bill due to the lack of action on the patronage aspect alone, among the other things I mentioned. Therefore, I will oppose the bill.

● (1350)

[*Translation*]

Mr. Robert Lanctôt (Châteauguay, BQ): Mr. Speaker, such a bill would have made it possible to support and implement several recommendations from the Standing Committee on Foreign Affairs and International Trade but my speech will show how this bill has sidestepped the question.

The Export Development Corporation is a crown corporation, with special status. It is not subject to the Access to Information Act nor to the Environmental Assessment Act. This could have afforded an opportunity to apply it.

It is not regulated by the Office of the Superintendent of Financial Institutions. It pays no income tax. It is not required to pay dividends and may borrow at preferential rates because of the credit enjoyed by the Government of Canada.

What is this bill all about? What can be seen first, and is immediately obvious, is that there is an environmental problem. This bill is trying to establish an environmental frame of reference that is created by the EDC itself, by its managers.

We had the option of including the Environmental Assessment Act. The government sidestepped an opportunity to do something very simple and to establish criteria and not so-called international standards set by leaders based on things that do or do not exist. We could have had really well established criteria.

The auditor general was given the mandate to assess the environmental frames of reference of the EDC. During this assessment, 25 projects were considered. Of these, 23 were badly done or had not anticipated their impact on the environmental process. Later, I will give examples relating to these projects.

Let us look at the first report criticized, which we looked at in committee in 1999. At that time, following meetings between the various parties in committee, we said this corporation was not transparent, open or accountable to the people of Canada and Quebec. In addition, there had been sustainable environmental development, which we will see more precisely during the course of my speech on this bill later and this afternoon.

In addition, there was reference to human rights. We see no sign of them in the bill. What should we think of a corporation that has as its objective to fund exports and to help companies without regard for human rights? There are a number of places on earth where there are problems with this issue. There may be very specific places where there are human rights problems. Why did the government not comply with our international commitments on this?

● (1355)

The bill does not even make any mention of this issue. Yet, that was one of the committee's recommendations in its conclusions. The auditor general, who tabled her report in May 2001, also referred to this issue. Here are some of the elements included in the conclusions and recommendations of that report:

There are important gaps in public consultation and disclosure. There are significant differences between the framework's design and its operation. The framework's objectives are not clear. The framework's environmental standards are not specified.

There are gaps at each stage of the environmental review process. Screening tools are not applied adequately to identify potential environmental risk. There is no methodology to determine if adverse environmental risks can be justified.

The report of the auditor general tabled in May 2001 highlights some very important elements, particularly as regards transparency, disclosure, the environment and, of course, human rights. If we look at the environment, what is the framework? The objective would be to have specific criteria or standards to apply.

S. O. 31

Regarding the framework, the auditor general says that there is none, which creates a grey area. Why? Because instead of having a framework based on an act such as the Canadian Environmental Assessment Act, instead of having criteria to conduct impact studies and develop processes from the beginning before approving a financial project, so far we have relied on a review by the host country. As we know, there are a number of host countries whose environmental standards or criteria are really lower than those in Quebec and in Canada.

If we have no methodology, no implementation criteria, what are our chances of getting something reliable? Let us not forget that the lack of disclosure and transparency raises the following question: Is the EDC truly credible? Is it doing its homework properly? If we cannot have access to this information under the Access to Information Act, as we know—

The Deputy Speaker: I am sorry to interrupt the hon. member, but we must proceed to statements by members. The hon. member for Châteauguay can continue his presentation after Oral Question Period.

STATEMENTS BY MEMBERS

[*English*]

TERRORISM

Mr. Brent St. Denis (Algoma—Manitoulin, Lib.): Mr. Speaker, I commend and thank our Prime Minister for his leadership and wisdom during these difficult times for the world. He has made me feel proud as a Canadian. In so doing I call upon my colleagues in this place and all Canadians to unite behind him. He deserves it.

This has been a time of deep sorrow and a time of great change but indeed a time of epochal opportunity for world co-operation. We have witnessed horrible acts of terrorism and wonderful acts of heroism. We have also witnessed a coming together in the face of adversity.

There is a lesson in observing the U.S. congress united behind its president. They stand together and we should do the same. Canada will continue to stand with our American friends, but we must first stand together here as an example to the Canadian people. Yes, let us debate the details but let us move forward together.

I agree with U.S. President Bush that now is not a time for politics. Now is a time for leadership, wisdom, co-operation and concerted action. Again, let us all unite behind the Prime Minister and his cabinet. Working together Canada will be stronger as we face the challenges ahead.

* * *

• (1400)

PRIVATE ENTERPRISE

Mrs. Betty Hinton (Kamloops, Thompson and Highland Valleys, Canadian Alliance): Mr. Speaker, I recently learned of a 150 year old house in Kincardine, Ontario, that is being restored by local volunteers. By the time the house is completely restored the volunteers will have raised over \$350,000 privately. They will have spent many thousands of hours working to preserve the heritage

building. One board member of the non-profit heritage society doing the work said he thinks the reason behind the phenomenal success of the voluntary venture is that government is not involved.

For years the Canadian Alliance has advocated letting Canadians go about their business without government interference. The Canadian people are far better judges than any government when it comes to being creative and picking successes.

As elected members of the federal parliament it is not our job to dream up business ventures for people to pursue. It is our job to foster an environment that will allow Canadians to initiate their own endeavours without being shackled by government regulation.

* * *

NATIONAL SECURITY

Mr. Andy Savoy (Tobique—Mactaquac, Lib.): Mr. Speaker, I will begin by commending the Prime Minister on his skilful handling of the terrorist crisis and for keeping trade on the agenda during a recent meeting with President Bush. With \$1.4 billion in ongoing trade between Canada and the U.S. every day the Prime Minister knows that the success of our businesses in the global market depends on the free flow of goods, people and services.

In my riding of Tobique—Mactaquac which borders the state of Maine constituents are acutely aware of the importance of an open border. For centuries we have enjoyed a unique friendship with our southern neighbours. It is a border that has united rather than divided us.

In the wake of the September 11 terrorist attacks the open character of our border has been called into question. Maintaining a balance between our security and our economy is vital. Effective border management cannot be achieved in isolation. We need joint initiatives to encourage the flow of people and goods across the border while at the same time protecting public health and safety. Simply put, we need to build bridges, not walls, between our two countries.

John F. Kennedy, speaking to parliament in May 1961, stated:

Geography has made us neighbours, history has made us friends, economics has made us partners, necessity has made us allies.

Never have these words rung so true as now.

* * *

[*Translation*]

INTERNATIONAL MUSIC DAY

Ms. Sarmite Bulte (Parkdale—High Park, Lib.): Mr. Speaker, today, October 1, marks International Music Day. It was first proclaimed right here in Ottawa 26 years ago by the famous musician Yehudi Menuhin. Since then, this day has been celebrated in many countries, including Canada.

This event brings together people throughout the world to highlight the universal importance of music. Music embodies the ideals of peace and friendship between peoples, the evolution of their cultures and the reciprocal exchange and appreciation of their aesthetic values. Music knows no borders and transcends language barriers. It touches each and everyone of us.

[English]

At the invitation of the International Music Council our Minister of Canadian Heritage was asked to serve as the international coordinator of International Music Day until 2005.

Canada invites the world to join us in emphasizing the importance of the message of peace and friendship that this International Music Day brings and in recognizing the talent of our Canadian artists.

* * *

INTERNATIONAL DAY OF OLDER PERSONS

Mr. Tony Tirabassi (Niagara Centre, Lib.): Mr. Speaker, I am pleased to announce that today is the International Day of Older Persons. This day is an opportunity for all Canadians to reflect on the valuable contributions seniors make to our society and the meaning they add to each of our lives.

In Niagara Centre groups such as the Rose City Seniors in Welland and the Thorold Seniors Association are organized, functioning clubs making important contributions to their respective communities.

Seniors volunteer more of their time than any other age group. They are the foundation of many families and they provide wisdom, knowledge and experience when we often need it most.

As the world enters the age of aging it is vital to recognize the diversity and vitality of older persons. I encourage all Canadians to take the opportunity to promote understanding and respect among people of all ages.

* * *

NATIONAL FAMILY WEEK

Mrs. Carol Skelton (Saskatoon—Rosetown—Biggar, Canadian Alliance): Mr. Speaker, I am pleased to rise today in recognition of National Family Week, October 1 to 7. The theme of this week is "Volunteering is a family affair".

Families have many strengths, gifts and abilities. I encourage families to consider where they could use their skills and abilities this week. They could bake cookies and take them to a soup kitchen or seniors home. They could gather toys and donate them to a local hospital. They could collect good, usable clothing and furniture and take them to a shelter. Families could volunteer at local cultural, social or sporting centres.

Families working as a team will not only help improve the lives of those around them. They will also strengthen their families. The connections made between family members as they work together for the good of others will certainly improve their family unit.

I wish a happy National Family Week to everyone in the Chamber. We must always remember that our family comes first.

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● (1405)

[Translation]

WORLD HABITAT DAY

Mr. Benoît Serré (Timiskaming—Cochrane, Lib.): Mr. Speaker, the United Nations declared the first Monday in October World Habitat Day, an opportunity to reflect on our communities and their importance in our lives. This year's theme "Cities without Slums" offers people everywhere the opportunity to examine the current state of their cities and to think of ways to make them safer, healthier and more sustainable.

Canadians are lucky to be among the best housed people in the world. This enviable situation is due in large part to the efforts of organizations such as the Canadian Mortgage and Housing Corporation and its different partners.

Working closely with industry, government and non-governmental organizations, as well as local community groups, CMHC strives to foster the development of affordable housing within safe, healthy and sustainable communities.

I encourage all members and all Canadians to join the United Nations in celebrating World Habitat Day, October 1, 2001.

* * *

GEMINI AWARDS GALA

Ms. Christiane Gagnon (Québec, BQ): Mr. Speaker, last night's Gemini awards for achievement in television production were an eloquent testimony to the vitality of Quebec's culture. Forty-four broadcasts received awards, a tribute to the creativity and variety of the television industry in Quebec.

At the crossroads of song, visual and theatre arts, literature and news, television reflects who we are; it transports us around the world, and it brings the world to us.

To Fabienne Larouche, Marc Labrèche, Pierre Nadeau, Céline Bonnier, Luc Guérin and all the other artists, producers and technicians who worked in the spotlight or behind the scenes, we say bravo.

It is because of the calibre of your work that Quebecers continue to watch their own channels, the ones which draw them in, the ones which reflect their image and their vision of the world.

With its seven million inhabitants, Quebec has reason to be proud of its creators, its entrepreneurs and its television artists.

* * *

GEMINI AWARDS GALA

Ms. Carole-Marie Allard (Laval East, Lib.): Mr. Speaker, I too wish to pay tribute to the excellence of the Gemini Awards Gala, which I attended yesterday evening in Montreal's Théâtre Saint-Denis.

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Many of French Canada's television artists and creators were honoured. The small screen's most popular francophone artists received numerous awards.

It was in 1986 that the Academy of Canadian Cinema and Television introduced a category for television and created the Gemini awards. The Geminis honour the excellence of the work done both by those in front of and those behind the camera.

Let us pay tribute to the passion and commitment of the organizers, the artists, the creators and the enthusiastic audience for without them there would be no gala.

On behalf of the entire House, I congratulate the Gemini winners.

* * *

QUEBEC/NEW YORK, A SHOW FOR LIFE

Mr. Joe Peschisolido (Richmond, Canadian Alliance): Mr. Speaker, last Friday 12,000 people attended an event at Montreal's Molson Centre, to express the solidarity of Quebecers with those who lost loved ones in the September 11 attacks on the United States. The \$20 entrance fee went to the Red Cross for the victims' families.

The show, "Quebec/New York, A Show for Life", brought together a number of celebrity performers, including Céline Dion and Luc Plamondon.

Quebec Premier Bernard Landry and Opposition Leader Jean Charest both attended, joined in solidarity behind the event.

On behalf on my party and all Canadians I congratulate the organizers and Quebec performers for their compassion and generosity. They have set a great example and made this show the great success that it was. Bravo.

* * *

[English]

HEALTH

Ms. Carolyn Bennett (St. Paul's, Lib.): Mr. Speaker, second hand smoke has proven to be a silent killer. It is for this reason that on October 1 and 2, for the first time ever, Canadians across the country will be able to take part in a real time Internet broadcast of the B.C. symposium "Clearing the Air: Protecting Workers' Health".

The symposium will bring together employers, workers, medical health officers and managers who will hear from a range of international and national experts. It will be broadcast today from 7.30 to 9.30 p.m. and tomorrow from 8.30 a.m. to 12.30 p.m. at www.cctc.ca.

The symposium is an initiative of the Clean Air Coalition of B.C., the British Columbia Lung Association and the Canadian Cancer Society. It will make scientific and economic facts related to second hand smoke available from coast to coast.

The broadcast of the symposium is made possible by a partnership between the CAC, Cancer Care Ontario and the Canadian Council for Tobacco Control. I congratulate them on a Canadian first.

●(1410)

TERRORISM

Ms. Alexa McDonough (Halifax, NDP): Mr. Speaker, nothing prepared me for the scene at ground zero in New York. Nothing could prepare someone for the enormity of the horror. The TV images of mounds of rubble and tangled steel have become all too familiar, but TV images cannot begin to capture the heavy dusty smell or the eerie mood cast by jagged forms of concrete and debris wrought by the hand of evil. Nor can these simple words give a fair rendering.

What television also fails to capture is the pervading sense of inspired determination: determination to share the loss and grief together; determination to rebuild the city together; determination to rebuild the community on a foundation of co-operation; determination to rise above the petty differences that divide and focus on the values that unite; and, above all else, determination to join with the world to defeat terrorism and to ensure that no other community must endure such pain. We are with them.

* * *

[Translation]

BREAST CANCER

Mrs. Suzanne Tremblay (Rimouski—Neigette-et-la Mitis, BQ): Mr. Speaker, the objective of the breast cancer awareness campaign is to inform and encourage dialogue between women and those around them concerning the disease of breast cancer. The Canadian Cancer Society and the Quebec Cancer Foundation are using the month of October to remind women of the importance of screening.

This is the type of cancer that affects the largest number of women in North America, England, Denmark, the Czech Republic and China. According to the latest statistics, 19,300 women are at risk of developing the disease in the next year, and 5,300 of them will die of it. Since 1991, the death rate for breast cancer has dropped by 6.3% in Quebec, thanks to the effectiveness of treatments and the distribution of information on early breast cancer detection techniques.

In this eighth edition of Breast Cancer Month, I encourage everyone to wear the pink ribbon or the lapel pin that symbolizes hope, and ultimately victory, over this disease.

* * *

[English]

NICK BASCIANO

Mr. Walt Lastewka (St. Catharines, Lib.): Mr. Speaker, I am honoured today to pay tribute to Mr. Nick Basciano, a well respected home builder, who passed away on June 27, 2001. Nick Basciano, born in Italy in 1944, came to Canada, left school early and received his first lessons about construction work by pushing wheelbarrows around a construction site.

Mountainview Homes was conceived in 1979 by Nick and Mary Basciano and Mary's brothers, Frank and Lou Memme. Mountainview built over 3,000 homes and became Niagara's top home builder by always bringing a family oriented approach to its business.

Mountainview Homes received both the Niagara Home Builders Award and the St. Catharines Company of the Year Award as well as the prestigious Ontario award for after sales service excellence.

Nick never forgot his community. He generously gave back to it in the form of anonymous donations and his involvement with Partners in Education.

I wish to express my condolences to Nick's wife Mary, his children Mark and Michelle, and all of his family. Nick Basciano was a passionate man. He loved what he was doing. He loved his family, his friends, his community and his country, Canada. He was a true friend.

* * *

CHILD ABUSE AND NEGLECT PREVENTION MONTH

Mr. Peter MacKay (Pictou—Antigonish—Guysborough, PC/DR): Mr. Speaker, this morning at the Air Canada Centre in Toronto, Child Abuse and Neglect Prevention Month, sponsored by the Child Welfare League of Canada, was launched by the unveiling of the casting model for a national monument entitled Reaching Out, created by the survivors of child abuse.

Clearly there is a need to further raise awareness of child abuse and to change public attitudes which far too often isolate survivors, preventing them from getting the support and healing victims need. It is often a lengthy, even lifelong, journey to overcome the horrific psychological and physical effects.

I commend all participants in today's unveiling, in particular Ken Dryden, president of the Toronto Maple Leafs, whose high profile support will raise awareness of the tragic child abuse incidents at Maple Leaf Gardens and elsewhere and will also raise awareness of prevention.

Throughout October the monument will be on display at the Galleria at the Air Canada Centre and upon completion in proximity to the ACC.

I encourage everyone to visit the display and to wear the purple ribbon to remind us that we must be vigilant, not only in protecting our children but in ensuring that victims of child abuse receive the ongoing support they deserve and need.

* * *

• (1415)

[Translation]

QUEBEC/NEW YORK, A SHOW FOR LIFE

Mr. Gérard Binet (Frontenac—Mégantic, Lib.): Mr. Speaker, I would like to draw the attention of this House to a benefit show given Friday. It was entitled "Quebec/New York, a show for life". The aim of the show was give to raise money for the victims of the attacks in the United States.

Oral Questions

Before an audience of 12,000, Quebec artists such as Lara Fabian, Jean-Pierre Ferland, Éric Lapointe, Claude Dubois and Kevin Parent gave excellent performances.

The evening was a very emotional one. It gave artists and a large number of Quebecers an opportunity to express their solidarity with our American friends.

* * *

[English]

GOVERNMENT OF CANADA

Mr. John Williams (St. Albert, Canadian Alliance): Mr. Speaker, the government tabled the public accounts last week and as usual it was another list of wild and wacky waste.

Here is just a taste of the waste: \$93,000 in compensation for mistakenly identified potato seeds, and it is hard to mistake a potato, and \$14,000 in compensation to a hog farmer who made modifications to his barn based on a bureaucrat's opinion, and that was a barnburner of a bureaucratic opinion.

We also paid \$9,000 to a prisoner because a correctional officer used unreasonable force to stop him from swallowing contraband, \$4,500 to two prisoners who had their pictures taken accidentally, and we thought their mug shots were free, and \$2,500 to an inmate because he did not like being bunked with a smoker, the poor dear.

The government has its priorities wrong: waste and mismanagement before defence and security. It is time to return the government's books to sender because they just do not add up.

ORAL QUESTION PERIOD

[English]

TERRORISM

Mr. Stockwell Day (Leader of the Opposition, Canadian Alliance): Mr. Speaker, I think I can safely say on behalf of all political leaders in the House of Commons that we appreciate the Prime Minister agreeing to the need for a non-partisan visit to ground zero. Certainly our lives are forever changed by that. Our resolve has even deepened in terms of preventing such atrocities as we witnessed.

The United Nations Security Council has passed a resolution calling on all nations to toughen their refugee laws. Last week we learned that the government had lost track of literally thousands of failed refugee claimants who had been ordered deported.

It is now day 20. What real and specific steps has the government taken to show Canadians that their refugee system will no longer be open to terrorists and to illegal applicants?

Hon. Elinor Caplan (Minister of Citizenship and Immigration, Lib.): Mr. Speaker, I say to the Leader of the Opposition that in fact Bill C-11 addresses both of the issues that were raised in the UN convention.

Oral Questions

One is to intensify and do the kind of upfront security screening that is called for and the second is to deny access to the refugee determination system to anyone who poses a security or criminality threat in Canada. We are doing it.

Mr. Stockwell Day (Leader of the Opposition, Canadian Alliance): Mr. Speaker, we are talking about thousands of illegal and dangerous applicants who are living among us now. The word on the UN resolution is that the United States had Canada in mind when it pushed for tougher standards and tougher screening for dangerous refugee claimants.

Again, what specific problem does the Prime Minister have with the Canadian Alliance request, which I believe is supported by most Canadians, to weed out dangerous, illegal refugee claimants as other countries do? What specific problem does he have with that?

Hon. Elinor Caplan (Minister of Citizenship and Immigration, Lib.): Mr. Speaker, the Leader of the Opposition is trying to create an inaccurate and wrong impression. Bill C-11, which his party does not support, does exactly what the United Nations resolution suggests, that is give us the opportunity to do the kind of not only weeding out but identifying those who are inadmissible to Canada because they pose a threat or have a criminal record.

Where we do find that someone poses a security threat, we immediately detain. We also detain until we are sure who the individual is. The overwhelming majority of refugee claimants are not criminals.

Mr. Stockwell Day (Leader of the Opposition, Canadian Alliance): The government does not do that, Mr. Speaker, and there are thousands of these claimants roaming around Canada who should have been detained and some possibly deported.

It was an expert on the Council of Foreign Relations who talked about Canada's leaky borders and said "the U.S. officials promoting this language had Canada in mind". I do not know how the Prime Minister can deny this.

We know that there have been terrorists living among us. We know that they get here illegally through our refugee system. What specific steps could the Prime Minister tell us about today that he has taken to protect Canadians and indirectly to protect our neighbours?

• (1420)

Hon. Elinor Caplan (Minister of Citizenship and Immigration, Lib.): Mr. Speaker, first, not all refugee claimants are criminal and it is wrong for the Leader of the Opposition to suggest it. That is just fear mongering.

However let me say to the Leader of the Opposition that he does not have to take my word for it. Let me tell him what Ambassador Cellucci was saying. The ambassador of the United States said as recently as this weekend that he is indeed very impressed with the work that is being done in Canada to increase security and address these issues.

Mr. Paul Forseth (New Westminster—Coquitlam—Burnaby, Canadian Alliance): Mr. Speaker, the United Nations has made two very clear demands on the government with the passage of resolution 1373: first, prevent terrorists and their supporters from using refugee claims to enter this country and, second, subject refugee claimants to

comprehensive background checks to ensure that they are not terrorists.

What real, concrete action is the government prepared to take to answer the UN resolution call and ensure that refugee claimants are screened and terrorists are not allowed to abuse our generosity? It has to be more than Bill C-11.

Hon. Elinor Caplan (Minister of Citizenship and Immigration, Lib.): Mr. Speaker, I point out to the member opposite that he and his party did not support Bill C-11, which says exactly what the United Nations has suggested in its resolution.

Further, we have already begun to intensify security screening, but I want to assure the member that all refugee claimants receive a preliminary security and criminality screening.

Bill C-11 addresses the issue of denying access to our refugee determination system to anyone who would pose a security threat or is inadmissible to Canada because of a criminal record. That is important progress. I am glad they are now—

The Speaker: The hon. member for New Westminster—Coquitlam—Burnaby.

Mr. Paul Forseth (New Westminster—Coquitlam—Burnaby, Canadian Alliance): Mr. Speaker, the minister is certainly overselling Bill C-11. The answers she gives do not match up to the frontline reality. The United Nations Security Council wants the government to act. The United States wants the government to act and immigrant communities want the government to act. We see from opinion surveys that Canadians also want the government to act to bring in common sense changes to the way the country deals with refugee claimants.

When will the minister finally deliver the changes Canadians and our international partners want enacted to our refugee screening system?

Hon. Elinor Caplan (Minister of Citizenship and Immigration, Lib.): Mr. Speaker, Bill C-11 is now before the Senate. We are hoping that it will be passed expeditiously. However I want say to the member that Canadians would be surprised to know it was his party's critic and members on committee who actually voted to make it more difficult for us to remove criminals and security threats.

Those are the facts. They did not support it and further they moved motions which would have made it more difficult for Canada to be able to remove criminals and security threats. That is the truth.

[*Translation*]

Mr. Gilles Duceppe (Laurier—Sainte-Marie, BQ): Mr. Speaker, on Saturday opposition leaders travelled to New York with the Prime Minister, where we witnessed the full horror of terrorism.

On Friday, the UN security council adopted an important resolution to support the international fight against terrorism. Today, a debate began at the United Nations on this issue.

Oral Questions

Will the Prime Minister tell us what the government has done and what it intends to do to support and implement the resolution passed by the security council?

Right Hon. Jean Chrétien (Prime Minister, Lib.): Mr. Speaker, I am very pleased by the resolution that was passed by the security council, because it is one of the most important ones in years. I hope that the debate will lead to the ratification and implementation of this resolution by all UN member countries.

As for Canada, it will implement it as soon as possible. In fact, I set up a security committee chaired by the Minister of Foreign Affairs, and that committee has already begun its work. The minister had the opportunity to meet with Mr. Ridge, who was appointed director of internal security in the United States.

• (1425)

Mr. Gilles Duceppe (Laurier—Sainte-Marie, BQ): Mr. Speaker, the debate that is beginning will not be an easy one, but a difficult and sensitive one. We do not want laws that will infringe on our civil liberties but, at the same time, we cannot remain passive in the face of danger. Security and freedom must go hand in hand.

In Quebec some measures have been taken. A co-ordination committee was set up to deal with the threat to security. In fact, the television program “Zone libre” gave us a precise idea of the situation by showing the degree of penetration of these networks, which is really dumbfounding. Therefore, the Quebec government took action.

Does the federal government intend to set up a mechanism, a co-ordination committee to deal with terrorism?

Right Hon. Jean Chrétien (Prime Minister, Lib.): Mr. Speaker, I had the opportunity to talk to RCMP Commissioner Zaccardelli this morning. He told me that he had already contacted all the chiefs of police of every provincial government. He added that he had never seen such a degree of co-operation between the provincial and federal police forces.

Everyone knows that collective action by all the Canadian police forces is what will give the anticipated results.

Ms. Francine Lalonde (Mercier, BQ): Mr. Speaker, during the Prime Minister's visit to Washington, President Bush made no specific request of him.

Questioned later with respect to the action Canada intended to take, the Prime Minister said that he favoured diplomacy as a way to broaden the international coalition against terrorism.

What has the Prime Minister done since then and what does he intend to do on the diplomatic front to broaden this coalition?

Right Hon. Jean Chrétien (Prime Minister, Lib.): Mr. Speaker, I have had an opportunity to speak with a very large number of the world's political leaders. Right now, everyone agrees that we must work together.

We are continuing to work on this. Our ambassadors in all countries are talking with the governments concerned.

As I said a few days ago, I have never seen all governments of the world share such a common purpose in wanting to work together to eliminate the scourge of terrorism.

Ms. Francine Lalonde (Mercier, BQ): Mr. Speaker, at the opening of the general assembly, UN Secretary General Kofi Annan said that, because the UN includes all countries and can convey legitimacy in this struggle against terrorism, it must be the primary forum for this coalition.

Does the Prime Minister intend to take up Kofi Annan's plan, which would make the UN the central figure in the international fight against terrorism?

Right Hon. Jean Chrétien (Prime Minister, Lib.): Mr. Speaker, the general assembly began its debate today. The party leaders were there and we all congratulated Mr. Annan and said that we were very happy about the decision made by the security council on Saturday. The debate is taking place today. I am sure that the general assembly will approve the security council's resolution.

Canada has always led other nations in supporting the United Nations. I am very happy to see that the United States recently decided to pay their membership, after refusing to do so for many years.

* * *

[English]

AIRLINE INDUSTRY

Ms. Alexa McDonough (Halifax, NDP): Mr. Speaker, my question is for the Prime Minister.

There was a lot of turbulence at Air Canada before September 11. The terrorist attacks have intensified the threat of massive job losses. What is called for in this crisis is not a bailout of the CEO and the shareholders but an urgent, co-ordinated, comprehensive program to stabilize the airline industry and to minimize job losses through pension enhancement, training programs and job sharing.

Will the Prime Minister make that commitment today to the thousands of airline workers threatened with job loss?

Right Hon. Jean Chrétien (Prime Minister, Lib.): Mr. Speaker, there will be a debate tonight on that issue. The member wants me to commit before I hear from members of parliament. I want to hear what members of parliament think about it and a decision will be made later. She can make her speech tonight.

Ms. Alexa McDonough (Halifax, NDP): Mr. Speaker, people are looking not for speeches but for leadership.

Securing airline jobs depends in part on restoring confidence in travel safety. The American government recognizes the urgency of government taking direct responsibility for baggage and airport security. The Canadian government speaks only of setting security guidelines. That is not good enough. Canadians want to know that their government will back its words with action and that means making airport security a direct government responsibility.

Will the Prime Minister give that assurance today?

Oral Questions

● (1430)

Right Hon. Jean Chrétien (Prime Minister, Lib.): Mr. Speaker, some would be surprised to hear the leader of the NDP say to me that leadership would be to bypass the House of Commons. As I said earlier, these points can be made tonight in the debate. Some may have a different point of view. Everybody will speak. The government will take note of all views. As the government, we will have to decide. If there is need for legislation, the House will have to pass the legislation.

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TERRORISM

Mr. Peter MacKay (Pictou—Antigonish—Guysborough, PC/DR): Mr. Speaker, my question is for the Prime Minister.

In order to plan effectively, a responsible government must make a basic assumption about whether the September 11 terrorists will strike again. Does the government believe that these terrorists are planning other major attacks somewhere in the world, or is Canada operating on the assumption that the World Trade Center and Pentagon attacks were a one-off assault and not the beginning of a pattern?

Hon. Lawrence MacAulay (Solicitor General of Canada, Lib.): Mr. Speaker, the RCMP and CSIS are working very closely with our counterparts around the world. As I have said many times in the House, they are working closely with the U.S. to make sure that the people who are responsible are brought to justice.

We are not naive. This is a global problem and we must be prepared for that, and we are.

Right Hon. Joe Clark (Calgary Centre, PC/DR): Mr. Speaker, one more time the minister refuses to answer a direct question in the House of Commons.

How long is this comedy going to continue? The terrorist attacks occurred three weeks ago tomorrow. When will the Prime Minister bring a detailed and comprehensive plan against terrorism here to the elected House of Commons?

[*Translation*]

And will this plan of action be presented to parliament before the end of this week, and to the House before being presented anywhere else?

[*English*]

Right Hon. Jean Chrétien (Prime Minister, Lib.): Mr. Speaker, the leader of the fifth party indicated to the people of the country that he is not very serious when he makes presumptions like he did. We do not want to have any terrorists coming to Canada.

We are making preparations and have taken a lot of action. He was very disappointed some weeks ago because there was no Canadian connection. He just wants to score political points while we have an extremely serious problem facing all nations of the world.

Mr. Vic Toews (Provencher, Canadian Alliance): Mr. Speaker, last week the Minister of Justice contradicted a finance department official who advised that the government has no legislative authority to seize terrorist bin Laden's assets and bank accounts. The Minister of Justice contradicted the finance official and stated that the government does.

Would the minister admit today that she has no legislation in place to seize the bank accounts of the terrorist bin Laden?

Hon. Anne McLellan (Minister of Justice and Attorney General of Canada, Lib.): Mr. Speaker, I believe what I was referring to last week was clear. Section 3(2) of the United Nations Act does have a provision on civil forfeiture.

Mr. Vic Toews (Provencher, Canadian Alliance): In fact, Mr. Speaker, there is no authority to seize bank accounts. That is what we have been trying to get at and it is what the minister will not admit.

It has been six years since the UN told Canada to implement anti-terrorist legislation. While other countries were leaders in the fight against terrorism, would the minister advise why she failed to bring forward anti-terrorist legislation or why she has failed to seize one thin dime of terrorist assets?

Hon. Anne McLellan (Minister of Justice and Attorney General of Canada, Lib.): Mr. Speaker, as I said before, the country and the government have taken a leadership role in the fight against terrorism worldwide. Look at our new extradition act. Look at our new mutual legal assistance agreements. Look at the fact that we have ratified and implemented 10 of the UN terrorist conventions. Look at our new money laundering legislation.

In fact, I have made it plain in the House that we will implement the UN convention on the suppression of terrorist financing. It would be useful if you people on that side of the House got behind us and helped us.

● (1435)

The Speaker: All hon. members will want to address the Chair, of course.

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[*Translation*]**THE ECONOMY**

Ms. Pauline Picard (Drummond, BQ): Mr. Speaker, the Minister of Finance has been claiming for some weeks now that the measures he took last year were sufficient to deal with the situation the Canadian economy is facing at this time.

By avoiding any deficit, does the federal government intend to assume its responsibilities in order to slow down the increasingly obvious downturn, and does it intend to draw up a precise plan for dealing effectively with it?

Hon. Paul Martin (Minister of Finance, Lib.): Mr. Speaker, when we see the actions taken by the Bank of Canada, the 50 base point drop in interest rates ten days ago, the actions taken by the Minister of Human Resources Development in improving the EI system, when we look at the infrastructure program being pushed ahead by the government and the President of Treasury Board, we see that the Canadian government is meeting the needs of Canada's workers.

Ms. Pauline Picard (Drummond, BQ): Mr. Speaker, last fall the Minister of Finance brought down a minibudget and curiously, on the eve of the election, directly issued cheques for \$125.

Oral Questions

How can the Minister of Finance explain such great creativity for electioneering purposes, and such lack of urgency to act today, when thousands of jobs have disappeared in just one week?

Hon. Paul Martin (Minister of Finance, Lib.): Mr. Speaker, I am very pleased to hear the hon. member's reference to last October's mini budget, which placed Canada in the forefront as far as most industrialized countries are concerned.

Not only did those cheques go out to Canadian families, but at the same time there was a tax cut of \$100 billion over five years. We have seen the most significant decrease in the Canadian debt in the history of our country, which puts another \$2.5 billion into the pockets of Canadians every year.

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[English]

NATIONAL SECURITY

Mr. Charlie Penson (Peace River, Canadian Alliance): Mr. Speaker, Canadian industries are facing the most significant problem in decades as a result of the security issues at the Canada-U.S. border. Recent polls show that a vast majority of Canadians are ready to make changes to create a North American security perimeter even if the government is not.

So far the industry minister seems to be really silent on this issue. What specifically is the minister doing to help business in Canada by creating this security perimeter?

Hon. Elinor Caplan (Minister of Citizenship and Immigration, Lib.): Mr. Speaker, discussions have been going on for quite some time with the Americans about mutual security for both Canada and the United States. Of course we are discussing perimeter issues. However we are doing that as well as securing the Canada-U.S. border, not instead of.

Mr. Charlie Penson (Peace River, Canadian Alliance): Mr. Speaker, Canadian industry wants to know who is standing up for business in this country in these difficult times at our borders. They want the minister to address U.S. security concerns. This must be a priority to ensure that free trade continues to cross our border and can be maintained.

While the industry minister appears to be sidelined, and that is pretty evident this afternoon, Canadian business organizations are already working to resolve this problem. Canadians need to know, what is the industry minister doing to stand up for them?

Hon. Brian Tobin (Minister of Industry, Lib.): Mr. Speaker, unlike the member opposite and his party, members of the government are working together. That is why I have great confidence in saying that all of the measures that need to be taken are being taken by each of the respective ministers to install and restore confidence.

Of course the Prime Minister has raised this matter with the president. In fact traffic at the border is moving very well. If members opposite cared about the good of the country instead of trying to score political points, they would get behind the government on the actions we are taking today.

[Translation]

CANADIAN AIRLINE INDUSTRY

Mr. Mario Laframboise (Argenteuil—Papineau—Mirabel, BQ): Mr. Speaker, tonight in this chamber there will be a take note debate on the future of Air Canada. We know that Air Canada is asking the government for huge grants to get itself out of the jam it is in. What we do not know is what the government's response will be.

Will the Minister of Transport tell us what the government's position is? Does it plan to provide generous grants to Air Canada or will it limit itself to compensation for losses directly related to airport closures and increased insurance premiums?

● (1440)

Hon. David Collenette (Minister of Transport, Lib.): Mr. Speaker, before making any decision to help the airline industry, I think it would be wise to listen to all the arguments that will be raised by members in the House of Commons.

Mr. Mario Laframboise (Argenteuil—Papineau—Mirabel, BQ): Mr. Speaker, the government is asking us to debate a complex problem this evening, yet we do not know its position. Nor do we know Air Canada's specific requests or the government's financial situation. Indeed, the government is informing neither the House, nor Canadians, of anything.

Will someone from the government please explain what, exactly, we are going to debate, since everyone is being kept in the dark?

[English]

Hon. David Collenette (Minister of Transport, Lib.): Mr. Speaker, where has my hon. friend been for the last three weeks? This has been the subject of discussion in the House of Commons. It has been in the newspapers. It has been on television and radio. I think everyone knows what the basic issues are.

However we want to know what the opposition and other members of the House feel on this particularly difficult problem. We want to know their views before the government acts.

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NATIONAL SECURITY

Mr. Rahim Jaffer (Edmonton—Strathcona, Canadian Alliance): Mr. Speaker, thousands of Canadian jobs have been lost due to economic slowdown. The government can prevent the loss of thousands of more jobs by fortifying our trade links with the United States through a security perimeter. Over 80% of Canadians are in favour of creating a security perimeter.

Will the Prime Minister state his position on the security perimeter today in the House rather than at a Liberal fundraiser or on CNN?

Oral Questions

Hon. Elinor Caplan (Minister of Citizenship and Immigration, Lib.): Mr. Speaker, I think it is important for everyone to know that security matters are the number one priority for the government. That is why we have been working with our international partners, including the Americans, to discuss how we can prevent people from coming to Canada and to North America. We do that through discussions of our perimeter. We are also working to speed legitimate access for both Canadians and Americans across the Canada-U.S. border. We are doing that because it is in the interest of Canadians and it is in the interest of Americans.

If the opposition members would like to have more information on how they can be helpful and supportive, we would be happy to give it to them.

Mr. Rahim Jaffer (Edmonton—Strathcona, Canadian Alliance): Mr. Speaker, Americans have been informed and reassured of their government's plans and actions. Yet here in Canada our government sits silent fostering economic uncertainty. During this silence the American attitude toward our border is souring, jeopardizing thousands of Canadian jobs linked to U.S. trade.

Once again, is the government in favour of creating a security perimeter with the United States, yes or no?

Hon. Elinor Caplan (Minister of Citizenship and Immigration, Lib.): Mr. Speaker, in response to a question such as the one that just came from the member, it is the preamble in that question that is creating insecurity among Canadians.

We are working very closely with our American partners. Our security perimeter is important, but so is the Canada-U.S. border. We want to do everything we can to facilitate the legitimate travellers.

Ninety-nine per cent of the 200 million crossings to Canada and the United States are people with legitimate business concerns. We are all interested in stopping the less than 1% that pose problems for both our countries.

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INTERNATIONAL AID

Mrs. Judi Longfield (Whitby—Ajax, Lib.): Mr. Speaker, UN estimates put the number of vulnerable Afghans at 7.5 million, 5 million who were already vulnerable before the most recent crisis. This is on top of the millions of refugees in neighbouring countries.

My question is for the Minister for International Cooperation. What is Canada doing to address these needs and how can Canadians do their part?

Hon. Maria Minna (Minister for International Cooperation, Lib.): Mr. Speaker, the situation is quite serious. Over the weekend Canada announced an additional \$5 million to the \$1 million that we announced previously to assist with the humanitarian crisis. This brings the amount to \$18 million of moneys we have spent this year on the issues of poverty within Afghanistan as well as on Afghanistan outside of Afghanistan.

As far as Canadians participating, it is important if they wish to participate to contribute moneys rather than goods because it is easier, and to work through World Vision, Oxfam Canada and the Red Cross. There are many NGOs that are very reputable.

HUMAN RIGHTS

Ms. Libby Davies (Vancouver East, NDP): Mr. Speaker, there is an alarming number of racist attacks against the Canadian Arab, Muslim and visible minority communities as a result of September 11, yet we have heard hardly a peep from multiculturalism.

I ask the Prime Minister directly. Is the government prepared to show leadership by adopting a plan of action that would include broad education, an effective anti-racism ad campaign, the monitoring of the reported incidents, enforcing the criminal code and prosecuting and stopping these crimes of hate? Is the government prepared to do those things and to give a concrete action plan?

• (1445)

Hon. Hedy Fry (Secretary of State (Multiculturalism) (Status of Women), Lib.): Mr. Speaker, that is an extraordinarily good question. I am pleased to tell the member that we not only are prepared to do those things, we have actually begun to do them.

I have a plan of action in which I have been in contact with Arab, Muslim and other communities around the country. All my regional executive directors have been keeping tabs on what is going on. I have been meeting with groups. We have been assisting them with a fund from our department to help them to build intercultural relationships and to move forward.

What we have heard from the communities is that we should do exactly what we are doing; monitoring the situation and helping them with the resources they need.

Ms. Wendy Lill (Dartmouth, NDP): Mr. Speaker, I would like to echo the concern of my colleague for Vancouver East about the significant increase in incidents of religious and cultural hatred since September 11. At the same time we have seen cuts to institutions which we could be using to promote tolerance, such as Radio-Canada International which has seen a reduction in programming in Arabic over the summer.

What is the minister responsible for Canadian culture and Canadian identity doing to increase Canada's commitment to religious and cultural tolerance both nationally and internationally?

Hon. Sheila Copps (Minister of Canadian Heritage, Lib.): Mr. Speaker, it is precisely because of the government's commitment to cultural diversity that we have announced increased investments in all areas of cultural expression. We have seen Canadians from across the country able to see their history and explore their roots.

At the same time, the Prime Minister showed very clearly last Friday, when he visited a mosque in Ottawa, that this country and our policies, starting with the Multiculturalism Act in 1970, is about building bridges and teaching intercultural connection and tolerance.

As one who has experienced in my own community a Hindu temple being burned to the ground, the community has responded en masse saying that Canada is not a place to breed hate—

The Speaker: The hon. member for South Surrey—White Rock—Langley.

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AIRLINE INDUSTRY

Ms. Val Meredith (South Surrey—White Rock—Langley, PC/DR): Mr. Speaker, two years ago the government rejected my recommendation of eliminating all restrictions on domestic ownership of Air Canada. Instead, it only raised the limit from 10% to 15%. We now have Air Canada seeking billions of taxpayer dollars. Canadian investors are interested in acquiring Air Canada if the 15% limit of domestic ownership is eliminated.

Has the government considered eliminating the 15% limit on domestic ownership and saving the Canadian taxpayer billions of dollars?

Hon. David Collette (Minister of Transport, Lib.): Mr. Speaker, there is no question that, in dealing with this difficult issue of airline financing and restructuring, we have to look at every particular measure that will bring stability to the industry, including the 15% limit as in the Air Canada Public Participation Act.

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MULTICULTURALISM

Mr. Chuck Strahl (Fraser Valley, PC/DR): Mr. Speaker, today at the Women's Resistance Conference in Ottawa, the former head of the National Action Committee on the Status of Women told delegates that U.S. foreign policy was soaked in blood and followed that preposterous statement with "Today in the world the United States is the most dangerous and powerful global force, unleashing horrific levels of violence".

The Secretary of State for Multiculturalism was in the audience for this speech but apparently said nothing. On behalf of all Canadians, will the Prime Minister immediately refute these outrageous statements and explain why his secretary of state did not walk off the stage?

Hon. John Manley (Minister of Foreign Affairs, Lib.): Mr. Speaker, we have made it repeatedly plain that we view any kind of attempt to create moral equivalency between anyone's policies and what happened on September 11 to be utterly unthinkable, outrageous and indefensible.

What we know is that what happened on September 11 was an attack not on the United States. It was not even an attack on North America. It was an attack on civilization that deserves to be condemned as it was this weekend by the United Nations itself.

Mr. Grant Hill (MacLeod, Canadian Alliance): Mr. Speaker, the conference where the multiculturalism minister stood and listened to the applause beside Sunera Thobani is a terrible thing for all of Canada. Listen to what this individual said: "The west for 500 years has believed that it could slaughter people into submission". The minister just sat there.

My question for the minister is straightforward. Why did she not immediately stand and disavow these comments?

Oral Questions

• (1450)

Hon. Hedy Fry (Secretary of State (Multiculturalism) (Status of Women), Lib.): Mr. Speaker, I was at the conference. I made a speech with regard to women and sexual assault. At the end of that there were other panel members.

A particular panel member got up and said specific things. I left immediately following that, but the point is that I did not make that speech. People in this country are allowed to say what they want. I did not support it. I did not applaud it. I got up and left immediately following it.

Mr. Grant Hill (MacLeod, Canadian Alliance): Mr. Speaker, the Prime Minister said that we are supposed to stand shoulder to shoulder with the United States. The minister was shoulder to shoulder with these comments. She sat there and said nothing.

My question is directed to the Prime Minister. Why does he continue to support this minister?

Hon. Hedy Fry (Secretary of State (Multiculturalism) (Status of Women), Lib.): Mr. Speaker, shoulder to shoulder, I was actually sitting on a podium. I was not shoulder to shoulder. Shoulder to shoulder means that one supports something.

I want to say categorically that I thought the speech that was made by the ex-president of NAC to be incitement. I condemned it continually and I stand in the House right now and say that I condemn that speech.

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[Translation]

AIRLINE INDUSTRY

Mr. Paul Crête (Kamouraska—Rivière-du-Loup—Témiscouata—Les Basques, BQ): Mr. Speaker, tomorrow the Minister of Human Resources Development will meet with the Air Canada union representatives in an effort to reduce the impact of the massive layoffs resulting from the acts of international terrorism perpetrated on September 11. The union and the employer have agreed to work sharing.

Is it the government's intention to respond favourably to the agreement reached by the parties at Air Canada?

Ms. Raymonde Folco (Parliamentary Secretary to the Minister of Human Resources Development, Lib.): Mr. Speaker, the government is concerned about the jobs in the Canadian airline industry, including those at Air Canada. For this reason, the minister is continuing to meet representatives of Air Canada, its employees and the union, as my colleague has already mentioned.

Tomorrow, the minister will meet union representatives to hear their concerns and their proposal on plans for those laid off in order to ensure that the employment insurance program meets their needs.

Mr. Paul Crête (Kamouraska—Rivière-du-Loup—Témiscouata—Les Basques, BQ): Mr. Speaker, is it the intention of the government to extend this approach to other businesses affected by the current crisis?

Ms. Raymonde Folco (Parliamentary Secretary to the Minister of Human Resources Development, Lib.): Mr. Speaker, requests concerning work sharing are very specific and must come from the industry itself.

Oral Questions

There is no doubt that the minister and the department are prepared to hear requests. We are extremely concerned about the state of the economy at the moment and how the department might meet the needs of those employees who have been laid off.

* * *

[English]

AIRLINE SAFETY

Mr. James Moore (Port Moody—Coquitlam—Port Coquitlam, Canadian Alliance): Mr. Speaker, reinforced cockpit doors, beefing up airport security and air marshals are all reforms being put in place by the United States, not just to deter terrorists, but to boost consumer confidence in flying.

Airline and airport security will be important factors, both in terms of deterring terrorists and encouraging people to get back into the skies. By not matching the security reforms in the United States, why is this government making flying in Canada less safe and putting Canadian carriers at a competitive disadvantage to U.S. carriers that will have these new security measures?

Hon. David Collenette (Minister of Transport, Lib.): Mr. Speaker, I wonder why the hon. member continues to make inaccurate statements in the House of Commons.

The fact of the matter is that the measures to enhance security that we have put in place and that we are continuing to put in place are done in concert with the FAA in the United States. The one issue of contention is perhaps our reluctance to go the route of the Americans on air marshals.

The hon. member has stood in the House for 10 days straight. He has criticized the government on security measures which are not warranted by the facts, and it is not giving confidence to air travellers in this country.

• (1455)

Mr. James Moore (Port Moody—Coquitlam—Port Coquitlam, Canadian Alliance): Mr. Speaker, if the security measures are so great, the transport minister might want to talk to his communications staff and change the website of his department which says they are just temporary.

If the security measures are so great and are to match with those of the United States, we might want to work in concert with them and have this transport minister stand up and do what is right.

Does the transport minister have any specifics, such as a detailed budget or a long term plan for improving our security at airports? If he does, would he table it and entrench it in law? Will he do that?

Hon. David Collenette (Minister of Transport, Lib.): Mr. Speaker, we have the Aeronautics Act that we have used on many occasions over the last few weeks to enhance security regulations at Canadian airports.

I would ask the hon. member to look at the statements I have made, in the House of Commons, in scrums, on news shows and by being quoted accurately in the newspaper. If he reads them, then he will know that we do have a very strong security regime for airports and that we are improving it by the day.

MULTICULTURALISM

Mr. John Harvard (Charleswood—St. James—Assiniboia, Lib.): Mr. Speaker, the Minister of Canadian Heritage recently attended the fourth meeting of the International Network on Cultural Policy in Switzerland.

In light of the increased need for the respect of cultural diversity and the promotion of cultural tolerance, will the minister please tell the House what the international network meeting accomplished?

Hon. Sheila Copps (Minister of Canadian Heritage, Lib.): Mr. Speaker, one of the messages that came out strongly from the International Network on Cultural Policy is that the recent tragic events call for a stronger commitment to work together on intercultural understanding.

There was an agreement reached on the main policy for the creation of an international instrument to safeguard the rights of states and governments to implement and promote cultural diversity. Canada has agreed to chair the study group which will result in a policy development at the next meeting in South Africa to ensure that culture is not put on the international trade table.

* * *

FOREIGN AFFAIRS

Mr. Gurmant Grewal (Surrey Central, Canadian Alliance): Mr. Speaker, earlier when President Chirac of France paid his respects to the victims in New York, Mayor Giuliani rearranged his schedule to show him around by helicopter and on foot.

Does the Prime Minister expect the House to believe that the man who rearranged his schedule to give President Chirac a two day tour would tell the Prime Minister to stay away and not visit ground zero in New York?

Hon. David Collenette (Minister of Transport, Lib.): Mr. Speaker, I cannot believe, after the hon. Leader of the Opposition has welcomed the visit on Saturday, that a member of his caucus would make this kind of statement.

On Saturday Canada was united and the House of Commons was united in New York with the mayor of New York and our Prime Minister.

Mr. Gurmant Grewal (Surrey Central, Canadian Alliance): Mr. Speaker, the question was about the 18 day wait. The Prime Minister said that communication took place between Canadian officials and the mayor's office. He said that this was when he was told to stay away.

Could the Prime Minister please inform the House as to who contacted whom and what was said?

Hon. John Manley (Minister of Foreign Affairs, Lib.): Mr. Speaker, it is a rather petty issue, but evidently officials in my department did understand that visits were being discouraged and relayed that information to the Prime Minister's office.

As a result, we all know that the Prime Minister was able, with the leaders of the opposition parties, to get much closer to the scene, to witness it firsthand as opposed to, for example, President Chirac who had to fly over it in a helicopter. What we really want to remember is that 25 Canadians lie buried in that rubble. We should show a little respect for their memory.

* * *

[Translation]

YOUNG OFFENDERS

Mr. Michel Bellehumeur (Berthier—Montcalm, BQ): Mr. Speaker, the Minister of Justice is building a larger consensus against her Bill C-7 on criminal justice for young persons.

After judges, lawyers, crown attorneys, members of the National Assembly and experts on young people, senators are now getting on board.

How many people will have to add their voices to those of the already large consensus that opposes the minister's bill before she will listen to reason and withdraw her legislation, to prevent irreparable damage to both the system and some of these young persons?

● (1500)

[English]

Hon. Anne McLellan (Minister of Justice and Attorney General of Canada, Lib.): Mr. Speaker, as we well know, the vast majority of Canadians want reform of youth justice legislation in this country and that is what Bill C-7 does. In fact, the hon. member should be aware that in relation to Bill C-7, not only does it permit the province of Quebec to continue the approach it has taken, but in fact we are going to be providing all provinces and in particular the province of Quebec with more money by which to pursue their approach.

* * *

[Translation]

MINING INDUSTRY

Mr. Guy St-Julien (Abitibi—Baie-James—Nunavik, Lib.): Mr. Speaker, my question is for the Minister of Natural Resources.

What is the federal government doing to support the Abitibi-Témiscamingue region as an area of excellence in the mining research sector?

Hon. Ralph Goodale (Minister of Natural Resources and Minister responsible for the Canadian Wheat Board, Lib.): Mr. Speaker, many departments are working to support the mining expertise that exists in the Abitibi. On this very day, Natural Resources Canada and Canada Economic Development are opening an international convention to review the results of research projects on iron deposits.

[English]

My department has invested over \$2 million in our CanMet Val d'Or experimental mine for that project. Quebec, Canada and indeed the world can turn to the Abitibi region for world class expertise in the mining sector.

Routine Proceedings

PRESENCE IN GALLERY

The Speaker: I draw the attention of hon. members to the presence in the gallery of the Hon. Jane Purves, Minister of Education for the province of Nova Scotia.

Some hon. members: Hear, hear.

ROUTINE PROCEEDINGS

[English]

HOUSE OF COMMONS

The Speaker: I have the honour to lay upon the table a document that all hon. members have been waiting for, the Performance Report of the House of Commons Administration for the period April 2000 to March 2001.

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INTERPARLIAMENTARY DELEGATIONS

Ms. Jean Augustine (Etobicoke—Lakeshore, Lib.): Mr. Speaker, pursuant to the standing orders, I have the honour to present to the House the report from the Canadian Branch, Commonwealth Parliamentary Association concerning the Commonwealth Parliamentary Association visit to the U.K. from May 2 to 18, 2001.

* * *

● (1505)

FOREIGN MISSIONS AND INTERNATIONAL ORGANIZATIONS ACT

Hon. John Manley (Minister of Foreign Affairs, Lib.) moved for leave to introduce Bill C-35, an act to amend the Foreign Missions and International Organizations Act.

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

* * *

PETITIONS

VIA RAIL

Mr. Peter Adams (Peterborough, Lib.): Mr. Speaker, I am pleased to present yet another petition from the people of our area who would like to see the VIA Rail service resumed between Toronto and Peterborough. They see this as improving the environment and strengthening the economy not only of Peterborough but also of the GTA. These people are particularly pleased with the interest the Minister of Transport has shown in the Ontario government's reinvestment in GO Transit.

KIDNEY RESEARCH

Mr. Peter Adams (Peterborough, Lib.): Mr. Speaker, I also have a petition from the people in the Peterborough area who would like to see the national institute devoted to kidney research include the word "kidney" in its title. They suggest this national institute be named the Kidney and Urinary Tract Diseases Institute.

Government Orders

PESTICIDES

Mr. Julian Reed (Halton, Lib.): Mr. Speaker, 58 concerned constituents of the great riding of Halton have petitioned the House of Commons. They are calling on parliament to enact an immediate moratorium on the cosmetic use of chemical pesticides until such time as their use has been scientifically proven to be safe and the long term consequences of their application are known.

* * *

QUESTIONS ON THE ORDER PAPER

Mr. Joe Jordan (Parliamentary Secretary to the Prime Minister, Lib.): Mr. Speaker, I ask that all questions be allowed to stand.

The Speaker: Is that agreed?

Some hon. members: Agreed.

GOVERNMENT ORDERS

[*Translation*]

EXPORT DEVELOPMENT ACT

The House resumed consideration of the motion that Bill C-31, an act to amend the Export Development Act and to make consequential amendments to other acts, be now read the second time and referred to a committee.

Mr. Robert Lanctôt (Châteauguay, BQ): Mr. Speaker, before statements by members and oral question period, we were talking about EDC's environmental terms of reference. As I mentioned earlier, the auditor general said that environmental standards were missing from the terms of reference and that the terms themselves were not clear. I also said that this framework was vague and timid. Of course, EDC sets no objective for this environmental assessment, which is to ensure that the projects approved are respectful of the environment.

In 1999 the committee passed on to EDC the concerns that had been raised and told it that it was vital that the environmental terms of reference contain well established criteria and standards. The auditor general also said that there must be standards and criteria. All the government has done is to make it clear that it will not enforce the Canadian Environmental Assessment Act. Once again, it is being left up to the crown corporation, in other words, to its directors, to determine what those standards and criteria will be. When the government says it amended this bill, that is so much nonsense. EDC still has responsibility. As I mentioned earlier, there is a lack of transparency. The same old people will still be doing the same old things.

What the bill states, quite simply, is that we need to look at the environmental aspects. This is the only statement made, with no specification on what is important, namely to establish criteria and standards solidly based on existing legislation. It would have been so easy just to apply the Canadian Environmental Assessment Act.

The auditor general has also referred to the sloppiness in projects. Out of 25 analyzed and examined by her, 23 had their environmental impact poorly assessed, if at all. On examination, we realize that it is not because a project is being carried out in a short period that its object is viable from the environmental point of view. Why? Because right from the start the agency eliminated two-thirds of projects when providing insurance or loans, saying that there was no risk, fewer problems because they were financing the credit and wanted to be sure they would be repaid. There is, therefore, no impact study. There is no study to see what environmental standards and criteria there can be.

EDC always comes back to this test of influence. The purpose of this is to determine whether it can exercise any influence to reduce the risks posed by a project. It carries out a detailed environmental examination of a project only when it determines that risk and influence are factors. One can imagine that it is not because a project is located outside our country that it will have no impact on the environment or that we will be reimbursed. It is not because the deadline is short that there will be no impact on the environment, on the contrary. Each case should be evaluated not according to its duration but according to whether it has an environmental impact.

As for the 23 out of 25 projects poorly assessed or unassessed, I believe it is clear that the EDC's internal methods are greatly lacking. There was no method for determining whether the harmful environmental impacts could be justified.

• (1510)

The government missed a fine opportunity to make a more transparent bill with real environmental standards. We know very well nothing has changed. They included this reference in the bill, however the focus must be on standards and criteria to be sure they are specified. This will enable the directors to set a course of conduct that takes the environment into account.

As to the release of information, there is another important matter and that is the lack of transparency. This is so important that I will provide a few examples of projects.

There is the Antamina mine in Peru, which will level for ever more eight peaks of the highest mountain range. The inhabitants complained to the World Bank about the environmental risks posed by the mine, insufficient compensatory measures and the displacement of people.

The Profertil fertilizer complex in Argentina has been closed twice because of ammonia leaks. Residents are concerned about the dangers created by the transportation and storage of chemicals and by dumping into the ocean.

There is another example. The Bulyanhulu mine in Tanzania has evicted thousands of small operation miners, who had their own piece of land. Environmentalists are concerned about potential heavy metal and cyanide contamination. Amnesty International has reported that miners were killed in the implementation of the eviction measures.

The government talks of transparency and of the environment. We must be totally informed in the case of a project such as this before funds are granted.

Government Orders

The EDC works with the information at hand. It takes the information provided by the promoter and what it has itself. This is not enough. They must go much further. Environmental criteria and transparency are essential.

As for transparency, how is a funding project prepared? Before funding is granted, the projects absolutely must be examined. Studies have to be done. Each project must be studied, not according to its length, but over all, with the accent on environmental effects.

Of course, this lack of transparency and the fact that the Access to Information Act cannot be used leave us rather perplexed about the decisions that can be made.

We are not told in Quebec and Canada which projects were involved and how much money was provided.

We know that this crown corporation is self-financed. However, we do an enormous amount of work at the international level. For this reason, words alone are not enough when it comes to the criteria raised by the committee and the auditor general, which include transparency, disclosure and protection of the environment. They must translate into action. We need to be seen as a country and as a people for whom the environment is important. We must promote environmental protection.

The same can be said for human rights, an issue raised before the committee in 1999. We said how terrible it would be if we ignored them, and yet, that is what we are doing.

● (1515)

We need to have this assurance around the world, and state what is important before the EDC invests in expansion. We cannot, when outside of the country, close our eyes and lower our standards because we are only required to obey the host country's laws and regulations. We have our own law. We have the opportunity to raise standards, and we are not doing it.

I firmly believe that the reason the Bloc Québécois expressed serious reservations regarding the EDC and human rights is that there is something missing. There is something missing from the bill, but there was something missing before, and it is still missing now.

Even though in its assessment of the political risks the EDC does not take into account the human rights situation, the issue should not be dealt with merely through discussions. We did that in committee and we stressed this aspect, but it is not provided in the legislation. How can we be taken seriously if we show that we do not even comply with the international agreements signed by Canada? This is not provided at a time when we have the opportunity to do so in a bill as important as this one. We help our exporters, but we forget really important things like this.

The Bloc Québécois feels that this bill is too weak from an environmental point of view. It provides no guarantee of an effective environmental assessment and it leaves too much leeway to the EDC in the determination of the criteria to be complied with.

It is silent on disclosure. It would have been very easy to provide for the disclosure of information, but clause 12 of the bill excludes the possibility of using that provision of the Access to Information Act. I should point out that a crown corporation is not subject to the

Access to Information Act. This should be noted because it has not been mentioned.

I now want to get back to clause 12. It refers to the Canadian Environmental Assessment Act. Again, that act was excluded. While it is true that a crown corporation is not subject to this legislation, this was reinforced by saying that we do not want to use it. Yet, this would have been the legislation to use. We want to implement it in Canada. Why, when we provide funding, when we give money or assurances, should we not apply our own criteria? However we are not doing it.

Moreover, the bill does not include punitive provisions should the EDC not respect its environmental framework. In this regard, Quebec imposes fines and even jail terms on officials who are found guilty of negligence in environmental matters. This is an important step by Quebec. Why not do the same, particularly when we are trying to do something at the international level, to show that Quebec and Canada care about the environment?

As I said earlier, we are watering down environmental standards by not making sure that projects comply with more than just the standards of host countries. Again, this was a perfect opportunity to show that when we want a bill like this one, we should not give priority only to trade and international issues, but also to the environment. We must stop watering down our requirements. We must use our own standards and criteria, instead of those of host countries, and we must stop yielding to the will of EDC officials.

As I mentioned, this bill also excludes any possibility of making the EDC subject to section 12 of the Canadian Environmental Assessment Act. All this undermines the EDC's credibility.

● (1520)

The bill could have been used to make the EDC much more credible, not just for Quebecers and Canadians, but for all those who are going to do business with a Canadian crown corporation with criteria and standards and an openmindedness, not just a blind openmindedness, not just trade or the economy.

Earlier, I heard the parliamentary secretary say here in the House that the exporters who do business with us are happy. I am happy that exporters are happy, but this is not just about exporters.

The reason this amendment to the Canadian Environmental Assessment Act was proposed is that some people were a little less happy. I am talking about the environmental groups who brought pressure to bear, who took action and who obtained figures, information and statistics. They brought to light such important factors that finally there was an opportunity to make all this applicable, with criteria, specific standards, and also, I believe, the possibility of transparency at last. The government passed it up.

The government would rather not talk about cases such as those I mentioned earlier, in Tunisia and in Argentina. There is an international impact when eight mountains, one of the great chains in the world, are being levelled through the auspices of the EDC. We are taking part in this. I find it somewhat embarrassing. There was an excellent opportunity to do something about situations such as this.

Government Orders

There was an excellent opportunity to use the Canadian Environmental Assessment Act. One of the features of this act is that only federal authorities are subject to environmental assessment. The federal government is therefore the promoter of whole projects or parts of projects and must therefore do an environmental assessment. Help for a project may take the form of funding, a loan guarantee, or financial aid. This is basically what the EDC does, but it does it outside the country for exporters. This bill could therefore have been amended or regulations included to specify environmental criteria or standards to be used.

When we are told that, with international standards, the EDC can say "We will have this or that standard in this or that country", I believe this was the opportunity to do the exact opposite and say "We are not going to lower our standards". For us, that is important.

If we, the countries of North America, do not specify what our standards are throughout the world, and what significance we wish to attach to them, it is easy to imagine what sort of image of us this projects. We are said to have a Canadian Environmental Assessment Act, that we carry out impact studies, as soon as a project comes under federal jurisdiction, yet outside the country we do not apply the same standards.

People elsewhere, who are not familiar with Canada's laws and regulations, say to themselves "They keep on talking about the importance of the environment, they go to the UN, they go everywhere. That is what they say, but they do not do it". That is the image we are giving to the public, including the people of Quebec.

Yet with the Canadian legislation and Quebec's environmental assessment legislation and office for public hearings, we are ahead of the others. Our legislation is far stricter because we can even send heads of companies to jail for harming the environment.

We know about it therefore, we Quebecers with our legislation, and Canadians with theirs. Yet imagine what image we project outside the country.

• (1525)

They say anything, because they do not think the laws here are as stringent and because we do not apply them internationally.

It is clear that without such standards, given that we cannot strive to achieve the final results attainable with these projects, because the Access to Information Act cannot be used, after this amendment to the act, be sure what they do outside? How much are they giving all these exporters? This is a large corporation, which must show people outside the country who Quebecers and Canadians are.

Exporters must use the corporation to show who we are. Something more than mere financing must be involved. Even the World Bank does impact studies when it grants a loan. Why would the EDC not follow its example? These are the questions we have. This does not drop out of the sky or from today's debate. It comes from committee and the auditor general. Requests are made.

They cannot say they did not know. What is the point of leaving it up to the directors of the EDC? I ask the question because it intrigues me.

This was a good opportunity to get things right with a crown corporation that grants loans. This crown corporation has a certain reputation, thanks to advertising, however, it should reveal exactly everything that it does. I am sure that some who are listening to us wonder what the EDC does. What is it, what does it do? Not all of our fellow citizens know exactly what the EDC does.

We do not know what it can do, because it only provides us with the information it wants us to have. Here was an opportunity to include the Access to Information Act in order to verify what is being done with this money. Here was a chance to see how we were perceived abroad, how many projects were finished, how many succeed and which ones did not succeed. Do we get back more than we put in? Surely, because in the end, there is a profit. I think the assets have reached some two billion dollars.

That is a lot of money. It would enable Quebec exporters to promote their projects. How many projects have there been from Quebec? This request was made of the EDC. They refused to provide the information. They refused to say how many projects the EDC had given. They have refused this and we cannot invoke the Access to Information Act. If we had this information, we could show people that we could find out exactly what the EDC does. We would have known what kind of projects it gets involved in and if it really respects the environment.

I was referring to the influence test. Nor is there is any guarantee that it has been abandoned.

• (1530)

This is something that is done by EDC officials. The impact may be minimal, average or significant. The possibility of influencing a project is assessed. They can say "Make it a little more acceptable", but these people are not experts. They base their decisions on standards that are, again, set in other countries which often have standards and criteria less strict than ours.

Maintaining such a test of influence makes the whole process arbitrary. It is indeed very arbitrary. We could have a specific framework, but it is not the case. We have no specific criteria and standards. Because we cannot know since we do not have access to them I wonder whether the criteria are the same from one country to the next or from one project to the next. Could we even use them beyond what is allowed, by awarding contracts to people whom we know, for example, or by subjecting an exporter to criteria not as strict as others so as to favour him? We do not know.

The transparency that was supposed to be introduced just is not there. Yet, the government gave the following response to the committee's report, in June 2001:

As Canada's public export funding organization, the EDC has an obligation to conduct its activities in a manner that benefits Canada and it must fulfill Canada's international commitments.

So, we are talking about human rights and environmental rights.

The government recognizes that the information currently being disclosed by the EDC is in a very compact form, but it admits that the corporation has made a lot of progress in the communication of information.

How can the government see this? We cannot use the Access to Information Act. When we make direct requests, we are denied the information.

Government Orders

In its response given on June 26, 2001, the government said the following:

The government also endorses the view that the EDC should consider setting up a position of ombudsman. The ombudsman would deal with issues of accountability, fulfillment of obligations and access to information.

I read the bill. There is no mention of this. This comes from a response to the committee's report. The response was dated June 26, 2001, but this is nowhere to be found in the bill. The Export Development Corporation was chosen because it was a crown corporation and reflects Canadian environmental values in its overseas projects. I will not repeat everything I just said, but the government wants to see Canadian values reflected abroad, and is not even using the standards and criteria in the legislation we already have. It is left entirely up to the directors, and the approach taken for each project is probably different.

The government responded as follows:

It undertakes, within twelve months, to give the environmental assessment process legislative force. The options are to include a provision concerning the terms of reference in the Canadian Environmental Assessment Act, or to include regulations concerning the EDC in the act.

If it truly had a choice, all it had to do was use the Canadian Environmental Assessment Act and then, through regulatory amendments, do what had to be done. It failed to do so. There is nothing in the bill.

Then we were told:

The government agrees that environmental assessments should be made public early in the project funding approval process.

● (1535)

The minister kept his promise to introduce a bill within 12 months, but the bill addresses none of these other concerns.

How can we approve such a bill? If the government had had the courage, the understanding, to use the existing Canadian Environmental Assessment Act, if it had done what the committee had asked, if it had addressed the concerns of the auditor general, this bill might finally have provided us with a chance for access to information about what the EDC is doing, and more particularly it might have provided an opportunity to respect standards and criteria.

Ms. Judy Wasylycia-Leis (Winnipeg North Centre, NDP): Mr. Speaker, I am pleased to take part in this debate on Bill C-31. I would like to ask a few questions and to express, as the hon. member for the Bloc Québécois has, opposition to this bill for certain reasons.

● (1540)

[English]

It is a good opportunity for us to talk about the broad issues of international trade and human rights in the context of the bill. I want to put on record the concerns of the New Democratic Party with respect to Bill C-31 and to explain why we are opposed to it. We also have some recommendations on how to improve the legislation.

As my colleague from the Bloc who just spoke indicated, Bill C-31 has missed the mark. We have an opportunity before us today to address some very significant issues with respect to the environment and human rights from an international perspective, and an opportunity to convey and carry forward our sentiments and values to the international scene. We have failed to do that in the bill.

The government failed to heed the recommendations of a number of organizations and members of parliament who have pressed hard for a strong piece of legislation in this regard. It is by all accounts a weak bill and a missed opportunity in terms of international trade.

Time and time again in the House and outside the House it has been said that we have an opportunity now before us with the bill to develop and pursue Canadian trade in a manner consistent with Canada's obligations to protect the environment and human rights. That seems to be the essence of the task at hand and the very purpose of the bill.

It is legislation that has been reviewed for three years. It was intended to address major concerns with respect to Canada's role in trade on the international scene. It was to ensure consistency with trade and our need to deal on an economic basis with other nations vis-à-vis our longstanding traditions and commitments with respect to human rights and the environment.

The bill is also partly in response to recommendations made by the auditor general in May 2001 and should be seen from the perspective of whether or not it meets the test of answering the criticisms of the auditor general made at that time.

We have heard from many speakers today about the weaknesses of the bill. I will reiterate some of those from the perspective of the New Democratic Party. Our criticisms are best summed up by a statement issued a week or so ago by a coalition of organizations that has been monitoring the legislation over a period of time and has developed considerable expertise in the area.

I am referring to the coalition of 17 non-governmental organizations that proposed some very significant suggestions around the Export Development Act and that today are expressing grave concerns about the failure of the bill to take into account those concerns and those suggestions.

On September 21 the coalition of NGOs reacted with very grave concern and disappointment that the concerns it had put forward regarding Bill C-31 were not taken into account. The coalition coordinator of the NGO working group, Émilie Revil, said:

We need to amend the Act to make sure the Export Development Corporation upholds Canada's commitments to protect the environment, human rights and the public right to basic information. The changes presented yesterday will have negligible impact on the daily operations of the Corporation. They leave a proven bad driver behind the wheel.

● (1545)

That says it all in terms of the expectations around the bill and why it falls short in terms of obligations and responsibilities. It was an opportune moment to address those very concerns. There were suggestions made about how that could have been done.

It is not too late to do just that. There are changes that could be made to the bill to address those concerns and show good faith with respect to the community that has been working so long and hard on good legislation. Canada must continue to play a leadership role when it comes to international trade and to our export development corporation. We must ensure that we are always mindful and respectful of our obligations to preserve and protect the environment and to enhance and uphold human rights.

Government Orders

The three areas that the NGO community recognized as shortcomings in the bill are the same as those enunciated by hon. members from the Bloc and ones that the New Democratic Party also feels strongly about.

The first concern is with respect to the environment and whether the bill actually has a meaningful mechanism in place to carry out proper environmental assessments of any projects undertaken by the Export Development Corporation. The answer by all accounts is no. The bill does the opposite of what one would expect to be a reasonable course of action in terms of ensuring an independent environmental assessment.

It proposes to keep it as an in house function of the Export Development Corporation as opposed to making it subject to a complete review under the Canadian Environmental Assessment Act. That is a fundamental point in the debate and there is no reasonable explanation of why the bill does not ensure that path is followed.

There is absolutely no question about the need for Canada and for the Export Development Corporation's environmental review framework to follow this long established tradition. This framework is not new or unique. It is a model that is used by other jurisdictions. I think specifically of the export credit institutions in the United States and Japan which follow the idea of an environmental review based on an independent environmental analysis.

The issue of how Canada pursues the path of environmental protection in terms of all activities by the EDC is critical and needs to be addressed by the government through the bill. That was one of the concerns raised by the auditor general in his report of May 2001. It behoves us to try to incorporate that constructive criticism into legislation before us today. The organizations that have spoken out about that point say this very succinctly and clearly.

The NGO coalition calls for the Export Development Corporation's environmental framework to be regulated under the Canadian Environmental Assessment Act. It calls for the mandate of the Export Development Corporation to be changed to ensure that Canada supports and develops Canadian trade in a manner consistent with our own standards and obligations pertaining to the protection of the environment.

• (1550)

My second point has to do with human rights. The coalition of non-government organizations has spoken loudly and clearly on this matter. Others in the House have done the same. We have done it in the Chamber as recently as this past Thursday when my leader, the member for Halifax, raised a question pertaining to a very serious situation known as the Bulyanhulu case, which has been referenced in this debate as well.

Serious allegations have been made in that case where employees of the Kahama Mining Corporation, a subsidiary of Suttion Resources which is now owned by Barrick Gold, in conjunction with the Tanzanian police, buried over 50 artisanal miners by bulldozing over the entrance to the shafts in which they worked.

There is some question around these allegations. As reported in the press there are also those who refute those allegations despite

having reports from Amnesty International and other organizations that witnessed developments in this regard.

What is clear in this case is that these allegations must be investigated. There needs to be a full scale independent inquiry into Tanzania to determine what happened, why it happened and what our international obligations are as a result of these developments.

It begs the larger question of what we are doing through the legislation to ensure that human rights are respected and enhanced in all activities of international trade, specifically pursuant to the Export Development Corporation. It has been our expectation, as I assume is the case among other parliamentarians and many Canadians across the country, that the bill should first and foremost stand up in terms of our role and responsibility for the protection of human rights.

The bill does not take those concerns seriously and does not ensure that there are mechanisms entrenched in it to provide for that kind of leadership by the Canadian government to ensure that all avenues are pursued in terms of human rights violations.

The third point, which was also part of the auditor general's criticism of the Export Development Corporation, pertains to transparency and public disclosure. This has been a very important part of our deliberations in parliament of late as more and more Canadians show a concern about democratic traditions being upheld in parliament and in every legislature of the land.

It is important that we take these concerns very seriously and do whatever we can to ensure that the bill before us respects the commitment we make to the Canadian people to be prepared at all times to be fully transparent in our work and ready to disclose in a full and open way the policies, practices, and programs pertaining to the Government of Canada.

It is absolutely clear from various analyses that Bill C-31 fails to entrench the absolute maximum in terms of public disclosure. Despite calls for the Export Development Corporation to be more open in its decision-making process, Bill C-31 places no new requirements on EDC to disclose vital information to the public. In the mid-1980s the Export Development Corporation stopped releasing project related information. I acknowledge that while the corporation is currently drafting its own disclosure policy, potentially allowing for greater transparency, there are no changes proposed under Bill C-31.

• (1555)

Just as I have mentioned with respect to the flawed environmental review framework and just as I have mentioned with respect to the failure to address stringent mechanisms around human rights, there is no mechanism in the bill for dealing with the fundamental question of transparency and public disclosure.

There is also no reason for the government to go slow, to be hesitant in this regard. Public sentiment is with us. People want us to do everything we can on this front. They want us to ensure fair public access in terms of any kind of government program, crown corporation and legislation. It is just a basic fundamental task for us today to try to convince the government to ensure that the legislation respects that principle and to require the Export Development Corporation to disclose basic information. Surely that is not too much to expect.

Government Orders

Those are the three concerns we have. I repeat them once more just by way of summarizing and by way of making a plea to the government to hear these concerns and to act before this debate proceeds much further.

The first is that we have in the bill a clear mechanism for independent environmental assessment so that the workings, the activities, of our Export Development Corporation are consistent with the principles that we all share around preserving and protecting our environment.

The second, and again we make the strongest call possible, is for an enforceable human rights review framework to be included, incorporated and integrated as a part of Bill C-31.

Finally, we in the NDP call upon the government to ensure increased transparency and public disclosure policies as an integral part of Bill C-31. We feel that all these recommendations are supported by the work of the NGO community, by the work of parliamentarians and by the report of the auditor general. The evidence is there for action in those three areas. The bill could be a very important, strong, leading edge piece of legislation if we have the will to make those changes now.

As some of my colleagues said earlier, the bill tends in fact to reduce our policies to the lowest common denominator in terms of such basic issues as environmental preservation and protection and human rights protections as well. Why do we keep doing that in this day and age? Why lower our standards to the lowest common denominator? Why not instead become a world leader in these areas, set the stage and raise the bar on such basic fundamental issues as the environment, human rights and public disclosure? They are fundamental to the values of Canadians today. They are fundamental to the whole democratic process. We urge the government to consider these comments as constructive criticism with the hope that changes can be made to the bill before we go much further.

Mr. Gary Lunn (Saanich—Gulf Islands, PC/DR): Mr. Speaker, I am pleased to speak on Bill C-31, an act to amend the Export Development Act. The bill would change a few things. It would change the name of the corporation. It would enable the board to delegate its powers and duties to committees it may establish other than the executive committee. It would require some environmental reviews and an environmental process for projects. Also apparently the auditor general would have the ability to audit the design and implementation of the directive established by the board, at least once every five years.

I will examine these issues in more detail. First, in regard to the name I do not think there is anything too serious there. Basically the modification would mean that the corporation would have the same acronym in both English and French. The new name would be Export Development Canada, which I do not think is too earth shattering.

Let us move on to something more substantive, and that is the Canada Account. The Export Development Corporation assists corporations across the country to secure opportunities and orders abroad. Generally those who apply for loan assistance through Export Development Canada need to meet certain financial tests to ensure that they have the ability to repay it, if it is a loan, et cetera.

However, the Canada Account is a political account. Sometimes those applying do not quite meet the test or there are other reasons. I understand the necessity for it because I do believe there is a purpose for it, however, all decisions on the Canada Account are based purely on politics. They are cabinet decisions and are not made by industry or financial experts or at arm's length. None of this is dealt with in the bill. That is something that I think the government should look at. I understand that it is seldom used, primarily for risky ventures. To give an example, the Candu nuclear reactors were under the Canada Account.

However the account has been receiving unfavourable attention in recent years. Two years ago the Canada Account was judged to be illegal by the World Trade Organization. Nonetheless the government says the account has been amended to satisfy the WTO concerns. It has been referred to as a secret slush fund.

The Export Development Corporation makes deals to the tune of \$4.5 billion worth of exports each year. It is a significant amount of money. I suggest that we could remove political decision making from the Canada Account and bring back a more accountable process. Of course that is not dealt with in the bill.

Let us move on to the next area. One of the suggested government amendments would enable the board of directors to delegate its powers and duties to committees that it may establish, other than the executive committee. Right now 13 of the 15 board members are appointed by the Minister for International Trade and the other two, the chairman and president, are appointed by the Prime Minister. This appointed board currently formulates EDC policies and practices and I find that somewhat questionable. It is an unelected board, with all 15 appointments made either by the Prime Minister or the Minister for International Trade, and it now wants to delegate its powers and duties to more appointments, to its committees. The EDC board already has incredible power and influence and it now wants to delegate that down even further, so there are some questions that need to be answered.

•(1600)

Patrick Lavelle, the chairman of the EDC, called for more independence for crown corporations and agencies such as the EDC, stating that the objective of naming directors should be to “get the best people, no matter where they come from”. Mr. Lavelle suggested that EDC move toward privatization, noting that there is a culture of secrecy in government bureaucracies. He stated that there is “an inherent believability in federal Crowns that information is power and increasing its release will just generate unwarranted criticism”.

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That puts it in a nutshell. This is the chairman of the EDC who is calling for this. Furthermore he is recommending that Prime Minister create a cabinet post that would make one minister responsible for overseeing all crown corporations, with a parliamentary committee established to provide oversight. What it comes down to on these appointments and committees is that the government is proposing legislation to have the board of the EDC, with its 15 appointees, able to appoint other committees, as opposed to actually bringing back more power to parliament. Right now it is very politicized. I think we could do a much better job.

Again, the EDC is a \$45 billion a year operation and one of the big issues is the whole issue that seems to surround the EDC: its secrecy, its transparency, its accountability. If there were ever a time that the Export Development Corporation needed to be there it is right now in the current situation where the economy is fragile at best. If there were ever a time when we needed sound, solid management there for Canadian companies and when we needed to make sure that the EDC is not based on politics and that it continues to help the Canadian economy grow, it is now.

That brings me to my next area and that is accountability. There has to be more accountability in this crown corporation, something that is evidently lacking at present. The government agrees that the EDC should “publicly demonstrate its accountability by reflecting the full range of public policy concerns and its activities and should introduce appropriate transparency measures concerning its activities”.

One suggestion that the government has come up with is to propose that the auditor general audit the design and implementation of the directive established by the board, at least once every five years. I believe that accountability has to happen a lot more often than once every five years. Such audits have to happen annually or at the very least every two years. Given the deplorable misuse of taxpayers' money by HRDC, which is still fresh in Canadians' minds, five years is a heck of a long time between audits and things can go askew. I think audits need to happen a lot more often to ensure that we do not have a repeat of that type of activity.

Furthermore, the Export Development Corporation is not covered by the Access to Information Act. That is a huge bone of contention. In the past the corporation has been accused of keeping billions of dollars in loans secret in foreign countries. In its defence, and I understand this, the EDC says it is restricted by business confidentiality but that it encourages its sponsors to release information about its projects. I understand that.

Businesses do want certain aspects of things kept confidential, but in turn these businesses are asking for public money, public assistance. I think that is where we can draw the line. If a company has business practices about which it needs to be that secretive, then maybe it should be looking at other avenues. I think when a business is using taxpayers' money it has to be completely transparent.

A recent study for the federal government found that crown corporations, including the EDC, should be subject to the Access to Information Act, since access laws encourage organizations to be “demonstrably worthy of public trust”.

● (1605)

The study notes that the reasons for crown corporations such as the EDC being excluded from the law are unclear and that an agency should be subject to the law if the government appoints more than half the governing body. The government appoints them all in this case. We are getting the message.

Another big part of the legislation would be to have full environmental assessments on projects to make sure they meet certain standards. The Minister for International Trade insists that:

This Bill will allow Canada to position itself at the forefront of environmental review policy for export credit agencies around the world.

If we are committed to ensuring the environment is protected while carrying out projects in Canada, should the same not hold true when entering into transactions abroad? EDC has had to defend its environmental assessment framework as recently as April 2000 when it was accused of assisting in some of the world's most environmentally damaging projects. In any event, the government's bringing forward of an assessment review is a positive aspect of the legislation.

The real issue for me is accountability and transparency. In May of this year a report of the auditor general gave a failing grade to 24 of 26 projects backed by the Export Development Corporation. To add insult to injury, Export Development Corporation decided it would not make public details of three of the projects judged to have been improperly assessed under the corporation's environmental review process.

A spokesman for the EDC explained that three clients that objected to releasing details of the projects have “good legitimate reasons”. We will never know the details of projects that received failing grades. We will not know even basic information such as the type of product, the cost or which country was involved.

I will be recommending to members of the Progressive Conservative/Democratic Representative caucus that on balance we oppose Bill C-31 because it does not address the issues of accountability and transparency, issues which should be paramount and at the forefront.

We do see a need for Export Development Canada and its projects, even more so at a time like this. However the fact that it is excluded from access to information and is delegating its powers to committees as opposed to bringing them into parliament are real concerns.

The government missed an opportunity to address these important issues. Major concerns about the crown corporation have been out there for years, but the government has chosen merely to change the name and do some tinkering. I give the government credit on environmental assessment, but the fact that it missed the boat on these issues means the bill is not something we can support at this time.

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•(1610)

Mr. Grant McNally (Dewdney—Alouette, PC/DR): Mr. Speaker, I will follow up on a comment my colleague made regarding missed opportunities. It triggered many thoughts in my mind, and probably in the minds of many of my colleagues on the opposition benches, regarding areas in which the government has not seized opportunities.

In addition to missed opportunities in other areas we are dealing with the issue surrounding the events of September 11 and the fact that the government, in particular the Prime Minister, is not speaking to the House about what his plans are. Apparently he will be talking about them at a fundraiser. He has been talking about policies on CNN rather than in the House.

Could my colleague expand on the notion of missed opportunities? It is becoming a theme not only for this piece of legislation but for the government.

Mr. Gary Lunn: Mr. Speaker, one of the most important premises of a missed opportunity is that we lose the opportunity. It is gone. We have seen this during the tragic events which have touched all of us in the last few weeks. We must be leaders. We must be up front and ready to make changes as we need to. That is where the missed opportunities are in Bill C-31. Its critics, even those within the crown corporation, are calling for more accountability and transparency while its proponents say they need secrecy for business practices.

I remind these people that they are asking for large sums of taxpayer dollars. Taxpayers have a right to know. We could change the legislation. We could find a balance which protects business interests but gives taxpayers the knowledge they need to ensure accountability. We could ensure that taxpayers get value for their dollars and that their dollars are spent wisely.

The government has once again missed a huge opportunity to effect positive changes to the legislation. That is why we in the Progressive Conservative/Democratic Representative caucus will be opposing it.

•(1615)

Ms. Sarmite Bulte (Parliamentary Secretary to the Minister of Canadian Heritage, Lib.): Mr. Speaker, I will be splitting my time today. I am pleased to rise to speak in support of the legislation, as will be no surprise to my colleagues on the other side.

I could not help but listen to my hon. colleagues in the PC/DR who talked about missed opportunities. It is great to be speaking to the issue today. I did not miss an opportunity to do so in the last session. In the last session I was chair of the subcommittee on international trade, trade disputes and investments. I was also an associate member of the Standing Committee on Foreign Affairs and International Trade which examined the Gowling report.

While I was not mandated to appear at those committees I thought it was important to do so. It is important for small businesses in my riding that I understand and appreciate what EDC does and the kind of value it adds.

I had an opportunity to lead two trade missions to the Baltic states during the last session of parliament. At that time if there was one criticism by small businesses it was that they wanted more involvement by the Export Development Corporation.

I support the bill because it means Canada's Export Development Corporation would continue to be able to meet the financing needs of our exporters but in a way that reflects Canadian values for corporate social responsibility.

Over the years Export Development Corporation or EDC has become a valued part of our country's success as an exporting nation. Last year EDC facilitated \$45 billion in international business by Canadian companies. The corporation served the needs of 5,700 clients, well over 80% of whom were small and medium size enterprises. As a founding member of the Women Entrepreneurs of Canada I know the value of small and medium size businesses as well as businesses run and owned by women.

In total last year EDC carried out some 70,000 short term insurance transactions. These services are vital to our nation's export success. We must ensure EDC can continue to provide them. At the same time EDC's operating policies and actions must reflect the values Canadians believe in, and they must do so both at home and abroad.

EDC does business in more than 200 markets around the world. One hundred and thirty of these are in developing countries. We need to make sure Canadian values regarding issues like sustainable development and human rights are part of the decision making process for EDC supported projects in other countries. We also need to make sure the decision making process is transparent and accountable so that Canadians know this is the case.

These are the reasons Bill C-31 is important for us as legislators. Along with other policy guidance from the government, the amendments to the Export Development Act contained in the bill would help us reach two overarching policy objectives: first, that the act support Canada's exporters and the jobs and wealth they create; and, second, that it recognize that Canadian values of corporate social responsibility must be included in EDC's decision making process.

There is no shortage of examples to show that EDC is vital to our country's export success. As noted, last year the corporation provided financial support of one kind or another to 5,700 Canadian companies. Again, most of these were small or medium size enterprises.

These are the kinds of companies members on every side of the House have in their ridings. They are companies like Cameron Seafoods Ltd. of Nova Scotia, a family run business which is developing new markets abroad for its specialty seafood products. EDC has provided it with financial support such as credit guarantees that have facilitated new sales to buyers in other countries. When EDC came on board in 1998 the company's sales increased from \$3 million to \$5 million in one year. That is quite an increase.

Another example is Amec Earth and Environmental Ltd. of Calgary, a firm that provides geotechnical and environmental engineering services. EDC has worked with the company for several years and provided it with financial support to reduce the risk of doing business internationally. Amec now employs 1,600 people and is doing business in 30 countries.

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●(1620)

Another good example is Klik Automation of Montreal. This small, high technology firm is part of the new imaging software community that has grown up in the Montreal region. When Klik was looking to develop a new export market last year, the company turned to EDC for insurance to guarantee payment by a new overseas customer. That deal resulted in 19 new jobs in Montreal.

There are stories like this all across Canada. Each one means increased exports for Canada and good jobs for Canadians. The government is working hard to make sure that we see more of these success stories. Bill C-31 is a key element of this work. It is not a long bill. In fact it can be read quite quickly, and I would encourage members who have not read it to do so. It is a bill that should be read and understood within the broader context of change for EDC, both domestically and internationally.

Bill C-31 is really the concluding step in a process review that started over three years ago when the government commissioned a consultant to carry out a legislative review and write a report. That was the so-called Gowlings report.

The process continued with the parliamentary committee hearings and reports to government by the House Standing Committee on Foreign Affairs and International Trade and the Senate committee on banking.

In addition, the auditor general has been involved and has made useful recommendations, especially on EDC's environmental review framework. In June of this year, the Minister for International Trade provided guidance on updating EDC's mandate in a number of key areas, including environmental review, human rights and broadening the base of participation of the private sector in financing Canadian exports.

Throughout the review, interested stakeholders have also been involved in the process, another opportunity, I would say, to participate. Although the review of the Export Development Act has not been a matter of broad public concern, a number of organizations and committed stakeholder groups, representing both business and public interest groups with specific interest in EDC, have been actively involved in the process.

Both the Minister for International Trade and EDC have found this involvement helpful. I would remind my colleagues on the other side that this is simply part of what the Liberal government is all about. In fact the Speech from the Throne talks about the importance of consultation. This is evidence of not just speaking about it but actually doing something about it.

EDC is perhaps best known for its success as an export financing institution but the corporation has also shown that it is socially responsible. Note, for example, that it was the EDC that initiated the environmental review framework and it is putting in place a new disclosure policy to improve accountability. These are significant developments.

We all want greater attention to be given to environmental and human rights issues and we all want a disclosure policy that will reassure Canadians that EDC's decision making process is transparent and accountable.

It is equally important that we have policies and operating directives that are realistic as well as workable. That is why public consultations are so important and the input of those stakeholder groups in Canadian society who are most affected by EDC is also so helpful to the government.

EDC has recently gone through a public consultation process on its disclosure policy. Just this past September, the corporation was going through a similar consultation with stakeholders to follow up on advice from the auditor general and the Minister for International Trade on strengthening and improving its environmental review framework.

Representatives from both the business community and public interest groups have been a welcome part of these consultations. They are an important part of the process to develop the specific policies and operating procedures that will meet the government's policy objectives and that are realistic and workable in practice.

In the OECD, for example, we have led the discussion in this area. Our negotiators sense a growing consensus for action by the OECD to require the export credit agencies of member countries to conduct environmental reviews of projects proposed for financial support. Canada can be a model for this new approach. It is a balanced approach that best meets Canada's needs in changing the international environment.

The legislation is the right approach for Canada. It brings the force of law to EDC's environmental review framework and it will position us well to deal with emerging trends in the international community. It is a bill that all members should support.

●(1625)

Mr. Philip Mayfield (Cariboo—Chilcotin, Canadian Alliance):

Mr. Speaker, I thank the hon. member for her comments and her enthusiasm.

One aspect of the bill that does concern me is the board appointments. Board appointments are made in such a manner that I do not think the best talent is on those boards to do the job that this corporation should do.

As we are talking about fixing up the corporation with these amendments, it strikes me that if I were to hire my wife to work in my office there would be some comments on that. If I were to hire someone who supported me in my political campaign, there would be some eyes raised about that too. However when we look at these patronage appointments, we see those who are being looked after. It is like in the family. If a person runs in an election for the governing party and loses it is almost like he or she wins anyway.

Does the member not believe that there are highly motivated, highly talented Canadians who have made a success of their own lives, who would like to commit a part of their lives to public service and who would do a wonderful job of using their expertise in crown corporations such as this and avoid the criticism that I am offering, not only to this government, because it is a way of life and—

The Acting Speaker (Mr. Bélair): The hon. Parliamentary Secretary to the Minister of Canadian Heritage.

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Ms. Sarmite Bulte: Mr. Speaker, let me begin by saying that appointments are about finding the best person for the job. With all due respect, I truly believe that if the hon. member appointed his wife because she was the one who would do the best job, then why should she not be appointed that position.

If we look at the bill and the amendments, the bill does not really talk about appointments. It does say clearly that the corporation is to be established as export development Canada and will consist of a board of directors composed of 15 directors including a chairperson and president. That is what is in the bill.

One of the new changes in the bill, which was not in the previous bill, is the fact that the board can now establish committees. This is a new part of the act. It is not the method of appointment but that a committee can be established and it can actually exercise any powers and perform any duties delegated to it by the board.

That is the new amendment that we are proposing to this legislation. With all due respect to my hon. colleague, there really is nothing about the manner of appointment in the legislation whatsoever.

[*Translation*]

Mr. Robert Lanctôt (Châteauguay, BQ): Mr. Speaker, the dissenting report by the Bloc Quebec included the following statement:

The Bloc Quebecois, on the basis of the valuable testimony collected during the public hearing, is of the opinion that there is, however, an obvious and marked lack of transparency in the way the EDC operated. There is a severe lack of transparency.

In all of this can be seen, and the hon. member says she was on the committee, that, in examining the bill:

—it was impossible for a Bloc Quebecois member to obtain any breakdown of the Corporation's financial activities in Quebec. It therefore seemed vital to the Bloc that the EDC, in keeping with the report's recommendations, be subject to the Access to Information Act.

Why not be transparent and disclose information? Does it seem that some of it might be confidential?

• (1630)

[*English*]

Ms. Sarmite Bulte: Mr. Speaker, as I said earlier today, the amendments being made to the bill are being made to increase the transparency and the accountability.

We are now including an environmental framework that was not in law. It now has the full force of law. It has the auditor general proposing a review of that and auditing it. We have our own Minister for International Trade, who I applaud today, shortening the period and saying that the review should not be five years but two.

By working together we will increase the transparency for all Canadians so they will see the work that EDC does.

Hon. Jean Augustine (Etobicoke—Lakeshore, Lib.): Mr. Speaker, on behalf of the constituents of Etobicoke—Lakeshore who are very much involved and interested in businesses, et cetera, where the Export Development Act would have some reference, I am pleased to join in the debate today.

As Canadians we all understand the importance of a healthy environment, not just within our bodies but for everyone on this planet.

This past spring, I hosted a roundtable on the environment, where many of my constituents expressed concern over the state of the air we breath, the pollution of our lakes and rivers and global warming. For them they want the federal government to ensure that Canadian corporations, when carrying out their activities overseas, that they act responsibly toward the environment as they would if they were here in Canada.

Bill C-31 answers that concern. The bill would complement Canada's international and domestic obligations on the environment front. The bill would allow those values that we share as Canadians and initiatives that we implement on the environment to be implemented in an international context.

Canada's leadership role in the Kyoto protocol is sending a strong signal to our international partners that the federal government is committed to protecting and preserving the environment.

We are also helping developing countries to reduce toxic by-products that are industrial and agricultural based by encouraging them to adopt best practices to ensure environmental sustainability. As Canadians we have a responsibility to do this.

My constituents understand that toxics know no border and that we must take measures to respond to environmental challenges such as climate change and air pollution.

My constituents also understand that all sectors in society, government, civil society and the private sector, must share in the responsibility for a healthy and safe environment.

As a member of the Standing Committee on Foreign Affairs and International Trade, I have had the privilege of hearing from numerous witnesses who came before the committee. They spoke about the operations of the EDC. We heard from the president, from labour, civil society, business owners and exporters.

During the hearings the message was loud and clear: consideration must be given to the environment when EDC finances projects; and, that a formal environmental review process must be established.

Let me take this opportunity to remind the House that EDC was established in 1944 with a mandate to support and develop Canada's export trade. In the year 2000, it supported an estimated \$45 billion in export and foreign investments.

The scope of credit agencies financing activities, particularly in the developing world, has prompted a call for sound environmental practices, recognizing the importance of fostering trade competitiveness that is consistent with environmental conservation.

From the early 1990s, as part of its risk management process, the corporation reviewed projects for their environmental impact.

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Two years ago, EDC introduced its environmental review framework to formalize and strengthen its environmental procedures. The framework was developed at a time when few export credit agencies were seeking to manage environmental risks.

I am very pleased that the EDC has followed through on the suggestions and recommendations, not only of the foreign affairs committee but also on the Gowling report studied by the foreign affairs and international trade committee with the recommendations for a legislative framework and a substantive approach following that of environmental practices in other areas, including the World Bank.

The federal government is committed to ensuring that environmental standards are observed and defends the discussion today on the bill, balancing the need for EDC to be environmentally as well as socially responsible with the need to promote Canada's participation in a competitive and international market.

Bill C-31 makes the EDC's board of directors—and we heard mention of the board of directors earlier—including two deputy ministers of the federal government responsible for the environmental review policy. This is a binding obligation.

•(1635)

In addition the auditor general would have an ongoing monitoring and reporting role on behalf of parliament and the Canadian public. The EDC was among the first export credit agency to introduce such a review framework, putting Canada and the EDC at the forefront of current practices in the environmental review of export projects.

The framework has two guiding principles: first, as the witnesses we heard from stressed, that environmental reviews undertaken by financial institutions to mitigate project risk can help encourage sustainable development by promoting consideration of the environmental benefits and costs of projects in host country jurisdictions; and, second, that EDC should decline support for projects which after taking into account the implementation of mitigation measures are in its opinion likely to cause significant adverse environmental effects that cannot be justified by the anticipated positive effects of such projects.

In other words, if the end result of a project is positive but there is a negative way in which to get to the end result, under its guiding principle the EDC can say no.

This environmental review framework is a reflection of ongoing multilateral discussions at the Organization for Economic Cooperation and Development. In that forum an export credits group is working to develop internationally acceptable standards for the environmental review practices of the export credit agencies of all OECD member countries.

There is a growing number of countries with formal environmental review policies including all the G-7 nations and the majority of OECD nations. Among the best are those of the United States, the United Kingdom and France. My constituents know that EDC's environmental review framework is regarded as being at the forefront of international initiatives in this regard.

Earlier my colleague mentioned the report of the auditor general. He stated that this framework contained all the elements suitably

designed to aid this process. It shows the following: how the corporation would identify environmental risks, the information it would need to assess them, the circumstances under which it would decline to support a project or to make its support conditional, and the process for monitoring and reporting to ensure that the risks are appropriately managed.

Canada is standing head to head with other nations. These practices are in wide use. Bill C-31 would strengthen our domestic values and international agreements relating to the environment. Canadians expect that corporations doing business outside our shores such as EDC will reflect our values and the environment.

I call on all my colleagues to support Bill C-31 which would work to ensure the concerns of Canadians will be echoed in both the domestic and international spheres.

•(1640)

Mr. Werner Schmidt (Kelowna, Canadian Alliance): Mr. Speaker, I will be splitting my time with the hon. member for Elk Island. One would think that after the member for Parkdale—High Park finished with her catalogue of good things the EDC had done over the past years that there was absolutely nothing in the world the EDC could not do to promote business. I wonder what happened to all of our financial institutions and our private enterprises that operate without EDC support.

I want to put on the record a balanced position which clearly indicates there is something else besides EDC that might work. One would think that according to the government the only corporations which really know what to do are crown corporations. That is far from the truth. There are a lot of other corporations that are doing very well. I suspect that is one of the reasons CN, which was a crown corporation, is now a private corporation.

I will speak to a number of amendments contained in Bill C-31: the environmental provision, the increase of the contingent liability ceiling from \$15 billion to \$32.5 billion, the empowering of the board to make contributions to pension plans, making it an offence for businesses to refer in their advertisement to EDC involvement in their enterprises, the appointment of committees and the power of the board to delegate its powers to them.

I will read into the record the clause pertaining to the environmental provisions. I am sure many people who are watching do not know exactly what is being talked about. Clause 10.1 states:

Before entering, in the exercise of its powers under subsection 10(1.1), into a transaction that is related to a project, the Corporation must determine, in accordance with the directive referred to in subsection (2),

(a) whether the project is likely to have adverse environmental effects despite the implementation of mitigation measures;

Subclause 10.1 (2) states:

The Board shall issue a directive respecting the determination referred to in subsection (1), which directive may

(a) define the words and expressions that the Board considers necessary for the application of that subsection, including the words and expressions "transaction", "project", "adverse environmental effects" and "mitigation measures";

Is that not interesting? The board has the right to decide whether there will be adverse environmental effects. The next section defines an adverse environmental effect.

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The bill does not in any way refer to Canada's environmental act. It is excluded specifically. Those projects are approved under the Canada account which the Minister of Finance and the Minister for International Trade need to approve. They are specifically exempted and do not apply or come under the jurisdiction of the Canadian Environmental Assessment Act. Clause 12 which amends section 24.1 states:

(1) Subsection 5(1) of the Canadian Environmental Assessment Act does not apply where the Minister or the Minister of Finance exercises a power or performs a duty or function under this Act or any regulation made under it, or exercises a power of authorization or approval with respect to the Corporation under any other Act of Parliament or any other regulation made under it.

● (1645)

We now need to look at the very wide reaching powers of the EDC. The corporation may acquire and dispose of any interest in any entity by any means; enter into any arrangement that has the effect of providing to any person any insurance, reinsurance, indemnity or guarantee; enter into any arrangement that has the effect of extending credit to any person or providing an undertaking to pay money to any person; take any security interest in any property; prepare, compile, publish and distribute information; provide consulting services; procure the incorporation, dissolution or amalgamation of subsidiaries; make any investment and enter into any transaction necessary or desirable for the financial management of the corporation; and there are others.

The powers are overwhelming. The auditor could be the president of the EDC and do anything he would want to do. It is like telling my friends to form a corporation, make sure to do some exporting and make sure that they get paid by the person who is buying the product they are exporting. That is what is possible here.

We have to recognize that these people will be responsible, but the law is an open book and allows them pretty well to go anywhere they want to go. That is the sort of thing that makes it possible for a patronage appointment, for example, to reflect specifically what it is the Prime Minister wants done in another country, another corporation, or whatever the case may be.

In addition, the board that runs the corporation may now appoint committees which can have any of these powers delegated to them. This is really interesting. That is the kind of bill we have before us. If it were not for the trust, faith and common sense of some of people, we would have the possibility and potential of making something corrupt.

I am happy that we as Canadians do not live like that. We trust one another. We have a sense of morality and a sense of ethics. That is what makes this kind of thing work. It is not because the legislation is so good. It is because the people are so decent.

This is why I am such a strong proponent of private enterprise in the first instance. These people are now directly responsible for their own money in their own way. They can do the things that have to be done to benefit them and get the finest results they can get.

The answer lies not in forming crown corporations and extending their powers and privileges but rather in creating an environment so that private enterprise can win and can apply these kinds of things.

I am sorry the hon. member for Parkdale—High Park is not in the House right now because I would like to ask her if it is really possible—

The Acting Speaker (Mr. Bélair): The hon. member is a veteran member of the House and knows that he cannot refer to the absence of any other member.

Mr. Werner Schmidt: I want to refer to the statement the hon. member made which insisted the corporation was able to do things that could not be done by private corporations. She did not say that exactly but the inference was there.

I do not believe that. Institutions such as the Royal Bank of Canada, the TD Bank, Scotiabank and other financial institutions in Canada including insurance companies are only too willing to expand business if we let them go. All of us are interested in export development. That is where the big development should take place.

Let us not forget that the Export Development Corporation does its business in two accounts: the corporate account and the Canada account. The corporate account has in it right now accumulated retained earnings for the year of well over a billion dollars.

What is this money for? How does this crown corporation, which is really owned by the government, account for its earnings? Should that not come back to the general treasury of the country? It is just lying there and there is nothing in the legislation that covers it.

I could go on for at least another 10 or 20 minutes looking at some of the provisions of the Export Development Corporation but I do want to give my hon. colleague the opportunity to speak as well.

● (1650)

Mr. Ken Epp (Elk Island, Canadian Alliance): Mr. Speaker, I am pleased to participate in the debate today on Bill C-31 regarding the Export Development Corporation.

I asked my assistant to go to the website to find out exactly what the mandate of the organization is and I will quote the very first sentence: "EDC is a Canadian financial institution devoted exclusively to providing trade finance services to support Canadian exporters and investors in some 200 markets, 130 of which are in developing markets". I believe the website is relatively current. It goes on to say that last year, Canadian business concluded \$45.4 billion in export and domestic sales and investments in markets using EDC trade financing services. It claims right up front that it is not only involved in exports but also has domestic sales and investments in the marketplace.

The EDC also says that 90% of its customers are smaller customers, but it does not indicate the magnitude of the business conducted with these different corporations. While 90% of its customers are presumably smaller companies, in terms of the number of them, we have no indication or any way of finding out exactly who the other 10% are. It could well be, and I suspect it is the case, that the 10% that are not smaller companies are large corporations that benefit immensely from the majority of the financial activity of the corporation.

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The EDC goes on to say that it also has responsibility for social corporate activity. It logs its code of conduct and business ethics. It lists all of the things it is high on and we should commend it for that. It is a global business and says that it is therefore a global citizen and works within a global environmental context.

I find it quite incredible because the Government of Canada has expressed its concern for global environmental issues. We are no longer living in a world where what we do with our air, water and soil is limited only to ourselves because of the fact that our world has become a very small community. I commend these words, but when we look into the depths of the legislation that is before us and what is proposed therein, we find that it is somewhat inadequate in the sense that Canada's rigid environmental laws do not apply.

I will digress for a second. I think of Canada signing the Kyoto accord. One of the questions that has been asked of me, and which I actually have asked myself, is exactly how the environment is enhanced by shipping Canadian money to other countries that for whatever reason do not have as much pollution as our country.

For example, we are a northern country. We have heating demands which are just not present in Africa. A person would have a hard time making a living selling furnaces in Africa because they are not needed. No fuel is burned and hence not as much pollution is produced.

In order to solve the environmental problems of the world, should we ship our money to Africa? How is the environment enhanced by that? Would it not be better to keep the money at home in Canada and use it for research and other activities in order to clean up our environment and the way in which we produce our own energy needs?

• (1655)

The Export Development Corporation is not required to adhere to Canada's environmental laws. It has its own law. I can see its argument. It says that it is one that is internationally agreed to and in order to allow it to play on a level playing field, that is the rule it needs to apply.

From time to time EDC becomes involved in financing projects which would not fly in Canada because of Canadian environmental laws. That to me is an anachronism. We are willing to send money out of the country which has nothing to do with helping the environment yet, through the Export Development Corporation, we may be financing projects which do not meet even our own requirements. It is a contradictory use of Canadian taxpayers' money.

There is also something called the Canada account. My colleague from Kelowna mentioned it. The Canada account is used to support export transactions which are determined by the Minister for International Trade to be in Canada's national interest. According to its website, this is usually due to a combination of risks and it mentions what those are. Basically the executive summary of it is it would become involved if ordinary banks would not touch the matter.

Canada account transactions are negotiated, executed and administered by the EDC, just like the corporate account transactions are, but the risks under the Canada account are assumed by the Government of Canada.

We see a direct involvement of the Minister for International Trade who can say "This is a project which we will approve". Unfortunately, there is no check and balance in the legislation to prevent the minister from using it for the purposes of propping up businesses of the minister's choice rather than perhaps what is really good for the country as a whole.

To whom is EDC accountable? It says that it operates at arm's length from government. However, the way the corporation is set up, the Government of Canada, i.e., the taxpayers of Canada, is the only shareholder of the corporation. I was elected to speak for taxpayers in Canada. That was my primary theme. Canadian taxpayers have "invested" into EDC in excess of \$1 billion, yet the corporation claims that it operates at arm's length from the government and does not cost the taxpayers anything. I beg to differ.

As a matter of fact, if someone were to give me \$1 billion and said that I would have to pay it back, eventually I would give back the \$1 billion but boy, would I live a happy life in the intervening years. It is a little thing called interest. One billion dollars could easily produce \$100 million per year in income. That would be adequate for a good weekend, would it not? We are talking a lot of money here and it is money that is lost to Canadians by virtue of the fact that it is tied up in the Export Development Corporation.

Let us not kid ourselves. Let us not say that the corporation does not cost the taxpayers anything. It obviously does since we have this huge amount of money that has been invested in it. It is taxpayers' money.

I will not deny the fact that many businesses benefit from the work of the Export Development Corporation. It enables them to promote their own business and to export to countries around the world. In that sense those taxpayers at least get something back. It obviously produces some employment and that is also good.

I would like to see legislation which would greatly enhance the accountability to the Canadian taxpayers. I am appalled when I read the details that although the auditor general has access to the accounts and makes reports and the five year special report, those audits are not readily available, even through access to information.

• (1700)

I regret that my time for debate is up. I hope some members will have questions for me so that we can enter into debate.

Mr. Deepak Obhrai (Calgary East, Canadian Alliance): Mr. Speaker, my hon. colleague raised a lot of interesting points.

I am specifically interested in the role of EDC as a crown corporation and what the member said regarding the auditor general looking at the account.

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There is a question on a lot of people's minds. This is a crown corporation and should be working under the rules of how a crown corporation should work. It takes advantage of those rules but at the same time when it comes to the question of accountability and where the money has been spent, it hides behind private enterprise by saying it falls under privacy of customer information. It has its feet on both sides. It wants to work as a crown corporation but unlike other crown corporations that are accountable to parliament the Export Development Corporation is not accountable to parliament because of the Privacy Act.

Maybe the member would like to comment on that.

Mr. Ken Epp: Mr. Speaker, one of the perplexing things about the Liberal government is that it is just not open about information. As a comparable situation, I have noticed this particularly with respect to the press conferences being held by government officials with respect to terrorism lately. When we tune into CNN, government officials in the U.S. from the president on down seem eager to give the maximum amount of information to their citizens so that they are fully apprised of what is being done. In Canada however, it is like squeezing orange juice out of a lemon. It is impossible to get any information out of the government.

I noted with interest that in testimony to the foreign affairs committee, an organization called Probe International made mention of this. It asked for the five year report from the auditor general and was told that he was not permitted by legislation to disclose it but that the inquirer should go directly to the corporation, which they did. When they asked for that information they were told that it was confidential information and was not available.

At the same time, the witness at the committee said that a letter was written to the United States Export-Import Bank requesting details of a similar, almost identical situation. Included in the response to a Canadian from an American bank which was involved in a comparable situation was information including tables, accounting, rescheduling agreements and the whole thing. The Americans seem to be more accessible or more willing to give information to its citizens and even Canadian citizens than is our own government.

I believe it is a culture. It is time for the Government of Canada to level with its citizens and give them as much information as it can rather than hide behind all of those other little rules all the time which prevents Canadians from knowing what is happening to their money.

Mr. Deepak Obhrai (Calgary East, Canadian Alliance): Mr. Speaker, it is a pleasure for me to talk on the issue of the Export Development Corporation, following my two colleagues who have pointed out very well many of the issues raised in debates on the reliability and the existence of this crown corporation.

While the act talks about housekeeping duties and some of the responsibilities, especially enabling the board to have some powers and to debate some things, I would like to talk in general about the whole concept of development and the role of EDC in what it is primarily set up to do, which is to provide protection and incentives to Canadian companies to go into the world market and start development assistance programs. As my hon. colleague has rightly

mentioned, EDC is very proud of saying it has spent a lot of money in the developing countries.

When EDC and CIDA were created, it was probably because these organizations were needed at the time. However, events and subsequent things that have taken place since then raises the question as to whether CIDA and EDC are effective tools in today's marketplace conditions and are they taking advantage of opening markets and the needs of developing nations?

We have very fine individuals in EDC and CIDA who have over the years gathered a lot of expertise and have at times used this expertise very effectively. We are very impressed by the hard work and dedication of these people.

However, the political interference and changes in direction have enabled both of these agencies to have broken democracies with policy advisers. At times I shake my head and wonder where they are going with their narrow agendas without looking at long term plans of action that would ensure development and export dollars are spent more wisely and are better utilized by Canadian companies and other agencies that do development assistance.

I am the international development critic for CIDA and I am stunned to see the secrecy of the policy advisers of CIDA. It is as if they have something to hide. They do have something to hide in not becoming more transparent to the Canadian public. CIDA had \$1.9 billion, but I think it went to \$2.1 billion. This huge department is scared to tell Canadians what it is doing.

It does the normal auditing and normal things required. However, when we go deeper into it and ask what is going on, we run into a wall. CIDA is a prime example of that and that can be translated to EDC as well. Secrecy has been one of the strongest criticisms of EDC.

This is a crown corporation that lives under crown corporation rules. It gets government assistance and guarantees. At the same time, it says that it acts like a private corporation, therefore, it cannot be accountable to parliament because of privacy for its customers. When CIDA comes into parliament to let Canadians know what it is trying to do, it merely gives the crumbs off the table. It does this in generalities and not in specifics.

• (1705)

That is why these questions continue to be asked, not only by the official opposition but by individuals in the public who want to know how the corporations operate. The lack of knowledge is what we are questioning. Time after time we have raised questions, and the EDC board of directors is a very prime example of patronage appointments of those individuals who have connections to the government. Some of them may have good expertise but in general they are tied to Liberal connections. This in turn curtails the ability of the fine officers who work at EDC and at CIDA to implement decisions because they are hampered by political interference.

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I have had the opportunity to meet with many individuals who have worked for both CIDA and EDC. I seem to get a consistent answer which is the inability of these ground level people to make decisions that are the right ones based on their experience because of political appointee interference.

I would venture to say that EDC and CIDA are gradually becoming irrelevant under the present context their mandates are. I will explain why.

Over the years EDC and CIDA have been giving out money. Have we seen an improvement in the developing world where they are supposed to be in the theatre of operations? No, we have not. There is something seriously wrong. It is time to look at a different mandate for these corporations so they work effectively.

We could use the expertise of the people running EDC whom I have met and with whom I am impressed. We could use the expertise of the NGOs and business people to create an environment where they can work in tandem with CIDA so that we can bring in the massive private investments, which business people and Canadians would like. It would make a climate in which investment dollars would flow to these countries and allow them to develop their nations.

I am not talking about infrastructure and big projects. I was in Africa in August and I came back a little disappointed. I thought about how, in our overall capacity, we could help African countries move forward. We have the Africa initiative that is supposed to come up at the G-8. However, let me also say that many of the leaders in these countries recognize that it is their responsibility to create environments for development.

President Museveni of Uganda, when he met with the regional African countries in Kampala in August, proposed a program where they would be willing to look to insurance companies to provide insurance for businesses that would invest in these countries so that if they were taken over through nationalization or disrupted by war company investments would be safe.

That is an initiative that has come from Africa. A mandate of EDC is to provide that kind of insurance but these other countries are taking it over and are saying they will do it themselves.

• (1710)

It is time for EDC to rethink its strategy. It is time for CIDA to rethink its strategy. I would like these departments to have a totally different focus. I am reluctant to say that perhaps we should now have a department. I would not want it called CIDA itself, but maybe EDC should be under CIDA. Let us remove the unitarian aspect of CIDA so it can concentrate on these aspects with the NGOs, do it more effectively and create another arm on the other side that has EDC under it.

Maybe if a DFI or development finance institution was established in Canada, CIDA Inc. could create the environment or one window shopping for Canadian businesses. This would allow businesses to work in tandem with the private industry to create an organization that is focused to ensure that private investment flows into these countries to help them out, which in turn will help Canadian businesses.

It is time to look at these things because we have gone through the whole lot of them. There has been government to government aid. That has not been very effective. The IMF has given aid. That has not been very effective. People in most countries are not happy with the IMF and its conditions. We have gone through the route of CIDA Inc. We have gone through the route of giving money to the NGOs, that are doing a marvellous job. However, in view of their small organizations, they are not focused. As such, dollars that go to them go to specific projects, but not in the overall development of the nation.

The whole concept is that the NGOs have done a marvellous job. We have gone through this route and have put dollars in there. That is fine. However, now we have reached beyond this level. We need to look at another way to go and how to help. That is why I say the whole mandate of EDC should be reviewed.

EDC should come under a different department, maybe called CIDA, but it should have a different mandate. The current mandate should be removed and an other agency should be created where NGOs can be more effective. However, then we have to look at the insurance issue, which would then be privatized.

As I have said, countries recognize that and are taking responsibility for it. I also mentioned that the African leaders were talking about this.

We can then talk about the fact that small and medium sized businesses have this one window of opportunity to go out and sell their expertise effectively.

We need a massive system or idea to see how we can get this transfer of funds moving. I imagine that would be fine with their big infrastructures. Countries need big infrastructure. However, at the end of the day it comes to the point as to how to get it down to small and medium sized enterprises?

Let me talk about the Canada account, which is used to subsidize our big corporations. We saw Bombardier receive Canada account money under favourable terms. In a way it is subsidizing this huge corporation which makes all the money.

Let me also say that we are really proud of its achievements. It is very innovative and sells beautiful world class jets and light rail. However, we do have somewhat of a problem with Bombardier coming back to the government to ask for handouts or subsidized issues like the sale of jets. This makes Canadians wonder why. We see the same thing with Air Canada.

• (1715)

When Air Canada came along not in our wildest imaginations did Canadians think that we would ever see Air Canada stand up and ask for \$3 billion to \$4 billion because the Americans got the money. How does it tie its business to American business considering that it has 80% of the market and a monopoly in the country? I think that shocked many Canadians.

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Let me go back to the question of EDC, the question of development assistance and the role of EDC in helping Canadian companies export their goods. If under this new system we are talking about, in which there are no taxpayer dollars involved and EDC operates under normal circumstances, which I think would bring about efficiency, it would assist Canadian businesses, which are very aggressive. I have been with them overseas. I know they are very aggressive, but they also do seem to have problems with the way the present EDC is set up and the way the present CIDA is set up. They find that the environment is changing and these huge bureaucracies still lie back and are not rising to the occasion.

We could privatize the insurance portion of EDC and let the insurance industry take it. The industry has already complained about EDC, because as a crown corporation EDC does not pay taxes. It is not a question of paying taxes; they do not pay dividends to anyone. It does not have to worry about shareholders because it is a crown corporation. To whom is it accountable? Even if it is at less than par, it is accountable to nobody. If it were privatized or looked at in a different manner, then at least it would be accountable, with openness brought to parliament, to their shareholders. EDC is now protected on both sides.

It seems to me that EDC is in one of the best situations in the business world. It is protected by not being open and it does not have to answer to shareholders because no one is asking for accountability. However, I think it is time for EDC to grow up. It is time for EDC to refocus. It is time for EDC and the government to stop thinking and stop operating in the same way that they have been for the past 30 years. When EDC had its five year review by the minister, I was at that time the critic for international trade. I looked at the review, and believe me, I could not find many things. We went through a whole report on EDC. The federal government hired Gowling consulting company to look at the complete operations of EDC. There were some very good suggestions made, but EDC is still a slow moving institution and needs to come into the 21st century.

● (1720)

Mr. David Anderson (Cypress Hills—Grasslands, Canadian Alliance): Mr. Speaker, given the government's history of trying to avoid accountability, given its lack of openness in disclosing what it is doing and given its history of interfering with domestic financial institutions, when we look at the structure of the EDC we see that for the most part it has independence from scrutiny. There is a lot of power given to the board. Its structure is set up so that it is not accountable to anyone and it is given a great deal of authority.

I am wondering if my hon. colleague would care to comment on whether he thinks the government, given its history, would be able to keep its fingers from manipulating this agency, from sticking them in there and trying to manoeuvre things for political purposes.

Mr. Deepak Obhrai: Mr. Speaker, there is no question about it: we know that the boards of directors of all crown corporations have been used for patronage appointments, even the refugee board, which the minister said the government was going to get rid of. The government was reluctant to get rid of it, could not get rid of it, because it helps all the Liberals who have lost elections by giving them those positions.

Yes, I agree with the member. The government has not changed much, but I wish it would, in the running of the corporations because

that helps it put Liberal friends into positions and keep its flock happy at the expense of the Canadian taxpayer.

It is time to look at it. It is time to really look at EDC's mandate and to get rid of its insurance operations. I think it is becoming irrelevant, according to the latest developments that I have heard on what has been happening. EDC is not happy with its Canada Account because of course there is 100% government interference, and not much can be done about it, as we know with what happened with the Bombardier issue.

We must look at where the EDC would be most effective. I think that at the end of the day EDC would be more effective if we were to bring together all these institutions into what I would like to call the Canadian International Development Agency, but with a totally different mandate.

● (1725)

Mr. Grant McNally (Dewdney—Alouette, PC/DR): Mr. Speaker, I want to follow up on the wide ranging comments of my colleague and focus on two points, some of which were mentioned by the previous member, those being the issue of accountability and the issue of political interference.

First, in the area of accountability, as my colleague mentioned, when there is a perception generated over time that failed candidates are appointed to boards or friends of the government are appointed to the boards, whether they are the best people for the jobs starts to wane as the important question. The perception simply becomes that people are being appointed because of who they know on the government side. I think that is to the government's detriment. If it were able to be more transparent and not shroud the workings of the EDC and CIDA in secrecy, which my colleague referred to, I think it would do the government well.

I am wondering if my colleague might have some specific examples that he may have uncovered in his good work in this area, specifics that he knows of having to do with political interference or with political appointees to different boards that have been involved in the granting of government contracts.

Mr. Deepak Obhrai: Mr. Speaker, I would like to thank my colleague for raising a question that is a big concern for all Canadians in regard to the use of crown corporation boards and refugee boards for Liberal patronage appointments and rewards for the government's Liberal friends.

The hon. member has asked for examples. Over time we have had numerous examples of people who have been on the EDC and the BDC. My colleague will remember the gentleman involved in the golf course in Grand-Mère, Mr. Carle, who was appointed to the BDC. He is the gentleman who was involved in APEC when he was in the Prime Minister's office. He was appointed to the BDC.

There are numerous examples of how people previously connected with the government have been tied to these boards.

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Now I will say that maybe they were competent, maybe they had the expertise, but it is the openness of the situation that is the issue. Why is it not done in front of a parliamentary committee so that both the government and opposition people could vote, as is done in the U.S.? Then there would be excellent confidence in many of these people because they would come in front of a committee made up not only of Liberals but of members from both sides of the House. Questions could be asked. We could grill them. Maybe they do have the qualifications to be on those boards.

Doing this would give confidence and send the message that the people who are running these institutions have gone through a rigorous search program, as is done in many independent corporations. When independent corporations hire they do so through human resource companies to find the best individual. For us the best way to do this would be through a parliamentary committee. Hopefully the government will take that suggestion.

● (1730)

Mr. Jason Kenney (Calgary Southeast, Canadian Alliance): Mr. Speaker, I commend my colleague from Calgary East, my neighbouring constituency, for his remarks. His remarks reflect expert knowledge of issues related to foreign trade, export development and international development. They have helped me to have a better understanding of the issue. The hon. member spends a lot of time overseas examining Canadian aid projects and trade with foreign countries, and it is well reflected in his remarks.

Bill C-31, as we know, seeks to amend the Export Development Act and to make consequential amendments to other acts. It provides for delegation of powers to committees established by the board of EDC. It also provides for the establishment of a procedure for environmental assessment of projects supported by the crown corporation.

My colleagues in the official opposition and I have for a long time had fundamental concerns about the operation of Export Development Corporation. We start from the first premise that the private sector is a more efficient means of allocating scarce capital than government or government agencies. We agree with the need for financing and insurance to facilitate Canadian trade abroad. Foreign trade is an essential aspect of our economy and it is absolutely essential to our economic growth.

Canada is a net exporting country. We have a current account surplus of something in the neighbourhood of \$27 billion a year. We export more goods and services than we import, to the tune of \$27 billion.

There is an urgent need for Canada to continue its growth in exports. We have much to offer the rest of the world, not just in terms of manufactured goods produced in Canada but in terms of services and hard commodities which help feed millions of people around the world and provide much needed equipment to raise living standards in underdeveloped countries and economies.

For all these reasons it is necessary to focus on assisting Canadian companies which trade abroad. Sometimes this can be difficult. Sometimes it involves incurring political hazard. Sometimes there is a need for special kinds of insurance for our export oriented companies. Sometimes there is a need for financing to enable companies abroad to buy Canadian goods and services.

My colleagues and I believe most of these functions could be carried out more efficiently by the private sector. Maintaining a government run and taxpayer owned corporation such as EDC which provides insurance, financing and services of this nature takes away opportunities from Canadian capital markets and insurance companies.

These companies could provide the same services on a commercial basis without exposing Canadian taxpayers to risk. This would enlarge opportunities for private Canadian companies as opposed to government run crown corporations.

Inevitably crown corporations present opportunities for abuse and unaccountability. Nowhere is that more clear than with the board of Export Development Corporation. It is used frequently by the executive council, the government, the cabinet and the Prime Minister as a parking place for Liberal patronage appointees.

My colleague from Calgary East and other colleagues have mentioned the recent appointment of Bernie Boudreau. He lost a provincial election in Nova Scotia, was appointed to the cabinet through the Senate and lost a federal election. His reward for having lost two elections was to get appointed to the board of EDC. This was his principal qualification.

● (1735)

The same man would not have been appointed to the board of a private insurance company, private venture capital company or bank which provides the same services in the private sector. The criterion for people who govern such corporations is not the ability to lose elections for the right party. It is the demonstrable ability to manage the bottom line and create profits and dividends for shareholders. That is the sort of governance we need for the services now provided by Export Development Corporation.

I saw my friend, the hon. government House leader, a moment ago and it brought to mind the Liberal standards on patronage. They were very high indeed between 1984 and 1993. When I was a young Liberal I used to receive mailings from the current hon. government House leader. Every year between 1984 and 1993 he put out something called the black book on Tory patronage. It was an exhaustive litany of all the horrendous patronage appointments made by the then Tory government.

There was indeed an orgy of patronage during those years but it was the current government House leader who raised his voice in great indignation about it. He said if the Liberal Party ever formed a government again it would never engage in patronage, the kind of patronage we now see day after day in appointments to boards like that of EDC.

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I ask my colleagues opposite, when they reflect on government control of organizations like EDC, to consider that they should perhaps be consistent with what they have said. Perhaps they should walk the talk about patronage that they offered to Canadians between 1984 and 1993. Perhaps they should consider our non-partisan constructive criticism that many of the functions of EDC could be spun off more effectively into the private sector.

As my colleague from Calgary East has said, there are two basic functions at EDC. First, there are functions managed within the corporate account such as export financing, insurance and guarantees. These are financed primarily by borrowing on domestic and international capital markets.

Second, there is the Canada account which provides government the means and authority to support export transactions that do not meet EDC's normal criteria for prudent risk management. That is another way of saying companies which finance agreements that would not normally meet commercial criteria can get money from the Canada account. These sometimes include large corporations that receive hundreds of millions of dollars from Canadian taxpayers.

Most of the services provided by EDC such as short and medium term export insurance and financing should be turned over to the private sector. The rest of EDC could become a division of DFAIT.

My colleague from Calgary East has suggested somehow linking it with certain functions carried out by CIDA, the Canadian International Development Agency. Those functions could then be accountable to parliament directly rather than through the indirect relationship of a crown corporation.

The new export division could provide occasional loan guarantees and other services beyond the scope of private companies such as long term insurance, political risk insurance and small premium insurance. It could support projects which are not commercially viable but are deemed to be in the national interest.

I accept that from time to time there are projects that need non-commercial financing and that Canada needs, for strategic reasons of national interest and not just economic reasons, to be present in the economies of countries abroad.

For that reason we in the Canadian Alliance would support, as a function of our international aid portfolio, financing of that nature. However we could do so with greater parliamentary accountability while allowing the more commercial aspects of EDC to operate in the private sector where they belong.

Until we finally see changes of this nature, changes which would increase accountability, reduce taxpayer risk and allow functions that could be in the private sector to go into the private sector, my colleagues in the official opposition and I cannot and will not support the changes to the Export Development Act because they do not deal with the fundamental problems of this crown corporation.

• (1740)

We are moving into a time of great fiscal and economic uncertainty. The Bank of Nova Scotia reported last Friday that the government would face a deficit of \$5 billion in fiscal year 2002-03.

We are almost undoubtedly in the midst of a recession. The finance minister will accuse me and anyone who uses that word of alarmism, but it is an unavoidable fact. We had negative economic growth in the first two months of the third quarter of this year. There is almost no doubt that given the events of September 11 and its economic consequences we will see negative growth at the end of the third quarter and the beginning of the fourth quarter.

Two successive quarters of negative growth constitute a recession. Unfortunately it is not only plausible but likely that we will find ourselves in that position. That will have a negative effect on the fiscal position of the government. It means revenues will go down and so-called automatic stabilizers and social expenditures will go up.

All this puts us close to a deficit position mainly because the government is increasing its program expenditures far beyond the level of growth in the economy, inflation or population.

Why do I say this? I say it because it is time once again for parliament and the government to make hard choices. As the finance minister said three years ago, we can never again allow ourselves to go into deficit come hell or high water. I asked him last Friday if he would again make that commitment. He pointedly failed to do so.

There is a huge imperative to invest more resources into areas of national security such as the Department of National Defence, the RCMP, intelligence services such as CSIS, customs and border control, the coast guard and restoration of the ports police. These demands will undoubtedly cost several billions of dollars. Together with the oncoming recession and the enormous spending pressures the government has imposed on taxpayers through various discretionary programs, they will add up to a time in which we must be single minded and make difficult decisions.

That will mean liquidating assets such as some crown corporations. It will mean privatizing functions now performed by government agencies and crown corporations which could be carried out more efficiently in the private sector. These are some of the decisions we must make if we are to avoid a deficit. Our argument for the partial privatization of the functions of EDC is more important now than ever because we are once again staring a deficit in the face.

I recommend we go back to the drawing board on EDC, look at how its functions could be operated in the private sector, save the taxpayers a potential risk of hundreds of millions of dollars and prepare ourselves for some of the difficult choices which lie ahead in the near future.

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Mr. Roy Cullen (Etobicoke North, Lib.): Mr. Speaker, the member for Calgary Southeast continues to espouse these simplistic solutions that the market does everything and that governments are not needed to intervene. He glibly states that he understands that companies may need some insurance and financing to deal with the export markets. How kind of him.

In fact, last year \$45 billion in exports were done using trade financing services from EDC. The question is, could the private sector do this? The role of the EDC is to move in when the private sector will not move in and provide the kind of financing or insurance that is needed to compete in those markets. I will give an example.

In my riding of Etobicoke North there is a company that is now doing some major work in the United States. It was not able to get bonding in the Canadian markets because we do not have the diversity, the richness, the size, the breadth and the scope of the markets to step up to some of these challenges. It received performance bonding working with EDC and the Canadian Commercial Corporation. That company is growing in leaps and bounds. It now has a presence in the U.S. market and is growing from strength to strength. It was because of EDC and the Canadian Commercial Corporation that it was able to do the deal.

That is not to say that we should not be holding EDC accountable to its mandate and not to be crowding out the private sector. We are talking here at the margin. We are not talking about a vast generalization which the member opposite tries to portray, that EDC should just get out of the market completely and let the market do the business. If we look at the facts, the reality is that the market does not always respond in the way the member would dream that it could. These are called market failures. It is the role of government to move in when the market is not there.

EDC and the Canadian Commercial Corporation serve this country very well. They perform an outstanding service. I for one would like to support them. I will be supporting the bill. I would encourage the member for Calgary Southeast to get off his ideology and look at the facts because this crown corporation helps Canadian business and helps create jobs in Canada.

•(1745)

Mr. Jason Kenney: Mr. Speaker, I am very pleased with my colleague's intervention because a sure sign of a Liberal losing an argument is when he mischaracterizes his opponent's point of view, as we have just heard. It was either a deliberate effort to mischaracterize my position or he simply was not listening.

I made it amply clear that my colleagues and I believe that there is an appropriate but limited function for certain forms of government assistance when related to our overall international development objectives, as part of our overall strategic objectives. There is some limited role, but those functions now performed by the EDC which could be performed in the private sector ought to be. It is very simple.

Of course whenever a conservative in this country makes an argument of that nature, immediately a Liberal or a socialist jumps up and suggests that we are advocating the elimination of government and the sort of night watchman state, which is an

absurd, laughable, ridiculous mischaracterization of our view. Our view is simply that through history, the market in this country and every other jurisdiction in the world by and large consistently produce more wealth and better results at lower costs, raising people's standard of living, than does the state. It is a fundamental principle which cannot be contested.

I simply want to say that we do believe that companies that need financing will be able to find that financing and insurance in the private sector. The member said that \$45 billion of exports happened because of government intervention. What nonsense. The member talked about being simplistic. He does not understand the first principles of economics if he really believes that. It is called moral hazard. Any company worth its salt is going to seek government financing for export deals it would execute without that financing.

The question is, what are the opportunity costs? How many companies have spent how many hours and how much time filling out how many forms and changing their export business in order to satisfy the EDC and to get government financing? There is enormous opportunity costs associated with any government granting program of that nature.

I would simply suggest to the member that it is much like the government's Team Canada missions. They go abroad with a big dog and pony show. Companies which are signing up deals anyway are told to initial memoranda of understanding when the Prime Minister is there. Then the government says that the Prime Minister has created \$5 billion or \$10 billion of new trade with that jurisdiction. That is absolute nonsense. Commerce happens despite the intervention of government, not because of it.

•(1750)

Mr. Deepak Ohrai (Calgary East, Canadian Alliance): Mr. Speaker, my colleague talked about the recession that is looming on the horizon. He articulated very well the dark clouds that may be coming. With reference to EDC, the global trade system has come under tremendous pressure because of the events that have taken place. As such one does not have to be a rocket scientist to know that trade globalization by itself has suffered to some degree and now EDC is in that market.

Would the member not think that in a short period of time EDC will not be able to fulfill its mandate and as such it is time to review its mandate altogether?

Mr. Jason Kenney: Mr. Speaker, the member raises an excellent point. As I have indicated, the economy both domestically and internationally is an entirely different one than it was even a year ago, even six months ago. I believe we are undoubtedly in a domestic recession and a large international recession. One of the first signs of that has been and will continue to be a reduction in trade, both exports and imports, from Canada and many other jurisdictions. This is a unique opportunity for us to reconsider our trade policy and in particular, the role of EDC.

There have been some times that the government and some of its ministers have been willing to look beyond the status quo, beyond the old way of doing things. I would encourage the government to adopt the attitude of change, of reform, of free markets even though it may not suit its ideology from time to time. This is such an instance.

Government Orders

The government should look at taking the functions of EDC and putting them in the private sector which could be better served that way. That would assist our export companies at this time of uncertainty that we are now encountering at the international level.

Mr. Brian Fitzpatrick (Prince Albert, Canadian Alliance): Mr. Speaker, in 1979 a couple of teenagers started a company in the U.S. that today is very close to being the largest capitalized company in the world. They basically did it without any support from the government.

I believe that the market has the ability in the long run to sort out winners from losers. I heard my colleague on the other side of the House give a big spiel about how the government can do a crackup job in this area. Where does the government get this extra wisdom to be able to pick winners and losers? I do not share the member's enthusiasm for that, and the more time I spend down here, the less enthusiasm I get for it.

I wonder if my colleague from Calgary could comment on where the government might have some wisdom in picking winners and losers in the marketplace.

Mr. Jason Kenney: Mr. Speaker, I share my learned friend's skepticism.

The history of government intervention in the market is very clear for all to read. It is not a question of subjective interpretation. We only need look in this country at those regions and those industries which have been most heavily subsidized and what has happened to their economic prospects. We only need look at those countries abroad which have the highest degree of government intervention and what has happened to their growth and standard of living. It is an empirical fact that freedom and free markets create a more efficient allocation of resources to raise people's standard of living than governments and bureaucrats taking that power upon themselves.

[*Translation*]

The Deputy Speaker: Is the House ready for the question?

Some hon. members: Question

The Deputy Speaker: The question is on the main motion. 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.

And more than five members having risen:

The Deputy Speaker: Call in the members.

And the bells having rung:

● (1755)

The Deputy Speaker: A recorded division is deferred to the end of the period provided for government orders on Tuesday, October 2.

* * *

[*English*]

COURTS ADMINISTRATION SERVICE ACT

Hon. Hedy Fry (for the Minister of Justice) moved that Bill C-30, an act to establish a body that provides administrative services to the Federal Court of Appeal, the Federal Court, the Court Martial Appeal Court and the Tax Court of Canada, to amend the Federal Court Act, the Tax Court of Canada Act and the Judges Act, and to make related and consequential amendments to other acts, be read the second time and referred to a committee.

Mr. Stephen Owen (Parliamentary Secretary to the Minister of Justice and Attorney General of Canada, Lib.): Mr. Speaker, I am pleased to begin second rebating debate on Bill C-30, an act to establish a body that provides administrative services to the Federal Court of Appeal, the Federal Court, the Court Martial Appeal Court and the Tax Court of Canada.

The principal objective of the bill is to improve the efficiency and effectiveness of the administration of the Federal Court of Canada and the Tax Court of Canada through certain structural modifications to these courts. As important, these amendments are designed to respect fully the courts' independence and to ensure the continued provision of the high quality of justice that Canadians have come to expect from these courts.

Our constitution establishes that responsibility and powers for courts administration is shared between the judiciary and the government. On the one hand, it is the responsibility of the government to provide and be publicly accountable for the provision of the necessary resources required to support the courts' functions.

Chief justices on the other hand are responsible and accountable for the effective administration of the courts as it relates to the judicial function. It is a constitutional requirement that the courts enjoy an established level of institutional or administrative independence.

In the seminal case on judicial independence, *Valente v. the Queen*, the Supreme Court of Canada indicated that an institutional independence requires that the judiciary remain in control of all matters bearing directly on the judicial function.

I am confident that the administrative structure proposed in Bill C-30 creates the appropriate balance between judicial independence and financial accountability for the use of public funds in a manner that meets or surpasses the test in *Valente*. I would add that the courts have agreed that the proposed structure satisfies the constitutional test for institutional independence.

Government Orders

I would like to emphasize, however, that it was not solely the constitutional imperative but, as important, the practical realities of shared responsibility for courts administration, that led to the proposed structure of the courts administrative service. Between the two poles of their respective authority and accountability, there is a large operational and policy area in which both government and the judiciary have an interest and a role.

A recognition of the need for government-judicial partnership in this area was the starting point in developing the reforms reflected in the bill. The objective of these reforms was not to alter the role of the chief justices in the administration of their courts. Rather the proposed structural reforms would build on the current strengths in order to achieve improved efficiencies through a consolidated administrative service at the direction of a single experienced senior official.

The proposed courts administration service was developed partly in response to efficiency concerns that had been raised by the former auditor general in 1997 with respect to the administration of the federal court and tax court.

The government and courts jointly recognized that there was an opportunity to be responsive to the auditor general's concerns, without undermining either the requisite institutional independence of the courts or the high quality of justice they are committed to delivering. Designing an administrative structure with the input and collaboration of the judiciary was seen as a key to ensuring its viability and ultimate success.

It is for that reason that the proposed model was developed in close collaboration with the Federal Court, the Tax Court and the Court Martial Appeal Court. The advice and views of the chief justices were sought throughout the process on both the overall structure and its technical implementation.

I am therefore pleased to be able to advise hon. members today that the proposed new courts administrative service enjoys the full support and commitment of the courts. I am equally pleased to advise that the former auditor general also expressed his satisfaction and support for the proposed reforms.

I should point out that the former auditor general had recommended the complete merger of the federal court and the Tax Court of Canada as a means to address the administrative inefficiencies he identified. However, after serious consideration of all of the former auditor general's recommendations, the government has decided against wholesale merger of the courts and opted instead for consolidation of the administrations only.

Both the Federal Court and Tax Court are established and respected national institutions that separately and ably perform important necessary functions. The government is satisfied that the overall structure of the two courts is essentially sound and that the proposed consolidated courts administration service would achieve the auditor general's objectives for improved co-ordination and overall efficiencies.

I am pleased to advise that following introduction of former Bill C-40, the predecessor of Bill C-30, the then auditor general indicated his support for this approach.

● (1800)

In a letter to the Minister of Justice dated June 26, 2000, the former auditor general wrote:

We are pleased that the proposed legislation reflects the key recommendations of our April 1997 report to the Minister of Justice.... With proper implementation, the proposed measures should significantly improve the efficiency and accountability and the administrative services provided to the courts while maintaining the independence of the judicial function.

We are confident that the new courts administration service will provide the strong and cohesive administrative framework necessary to ensure the effective and efficient use of public resources.

In addition to the consolidation of the current administrative services of the two courts into a single courts administration service, Bill C-30 includes two other important structural reforms: first, the creation of a separate Federal Court of Appeal; and second, a change in the status of the tax court to that of a superior court. I would like to first provide more details on the courts administration proposals and then explain the objective of the two latter proposals.

As I have indicated, the most significant structural modification in the bill is the consolidation of the current administrative services of the two courts into a single service. The service would serve the administrative needs of the Federal Court, the Tax Court and the Court Martial Appeal Court. This would entail common management of all aspects of administration, including court facilities, registries and related real property and common corporate services.

The bill provides that the courts administration service would be headed by a chief administrator. This experienced senior official, appointed by governor in council, would be responsible and accountable to parliament for all matters of administration relating to the courts. The bill expressly provides that the judiciary would continue to be responsible for all matters relating to judicial functions.

As I have indicated, this structure contemplates regular and ongoing collaboration between the chief justices and the chief administrator in their areas of shared interest and responsibility. Regular consultations with individual chief justices and their associates will no doubt be a regular mode of operation. It is noteworthy that the bill expressly requires that the chief administrator consult with the chief justices when making decisions concerning the establishment and operation of registries and when preparing budgetary submissions.

While it is expected that the judiciary and the chief administrator will work toward consensus with respect to all important decisions relating to the effective operation of the courts, there may be occasions in which their respective views differ sufficiently that a definitive decision needs to be taken. To provide for such occasions, which we expect would be rare, the bill provides statutory authority for chief justices to give binding written directions to the chief administrator on any matter within the authority of the chief administrator.

Government Orders

I want to pause here to make what may appear to be an obvious point. The proposed courts administration service and all matters of courts administration would remain subject to the same legal and statutory framework as other federal government institutions, including the estimates process, the Financial Administration Act and the applicable public service employment statutes. Any directions that may be provided by a chief justice to the chief administrator under this proposal would have to be consistent with that framework.

The courts administration service will be at arm's length from the government, thus reinforcing an appropriate degree of independence. However, the bill also provides for improved accountability, particularly before parliament, for both administrative effectiveness and probity in the use of public resources.

The chief administrator would be required to report annually to parliament on the administration of the court and would appear before parliamentary committees to answer questions on the courts' estimates. In fulfilling his or her duty to account for all aspects of court administration, the chief administrator would have the discretion to publish in the annual report any written directions from the chief justices. In addition, the chief administrator could use the written directions in the context of any appearances before parliamentary committees.

These are the main elements of the proposed courts administration service. The proposed structure has the support of all the affected courts as well as the former auditor general.

The second element of the proposed reform in the bill would alter the structural relationship between the Federal Court Trial Division and the Federal Court of Appeal. The objective of this reform is to clarify the respective roles of the chief justices of the trial court and the court of appeal, and to ensure the most efficient judicial management of each court.

Currently, the court of appeal and the trial court are two divisions of the same court with the chief justice responsible for the overall management of the court. The bill would create two separate courts. The current chief justice would continue as chief justice of the Federal Court with responsibility for judicial management of the court of appeal. The current associate chief justice of the trial division would become the chief justice of the separate trial court with overall management responsibility for that court. This structure is the norm in most provincial superior courts.

• (1805)

The final key reform element would confer on the Tax Court of Canada the status of superior court. This change of status is intended to recognize the Tax Court as a well respected institution that provides an exemplary service to Canadians. Superior court status would also establish the Tax Court as a full equal partner with the other three courts in the newly consolidated administration.

I would like to point out that this change of status would not result in either enhanced remuneration or jurisdiction for the judges of the Tax Court. The judges of the Tax Court already receive salaries and benefits at the level equivalent to superior court judges. Moreover, superior court status for the Tax Court is intended to support and reinforce the administrative objectives of the structural changes. The

court does not seek through these reforms to effect any substantive change to the current jurisdiction and remedial powers of the tax court.

I am confident that these reforms will receive widespread support from all those served by the Federal Court and Tax Court. By creating a single administrative framework, as I have just described, the opportunities for administrative improvements and efficiencies will be effectively realized and the high quality of justice that Canadians expect from these important national institutions will be maintained.

The government puts forward the bill and I commend it to parliament for consideration.

Mr. Brian Fitzpatrick (Prince Albert, Canadian Alliance): Mr. Speaker, what is the purpose of Bill C-30? It is a very simple bill consisting of 94 pages in length. The bill would establish a body that provides administrative services to the Federal Court of Appeal, the Federal Court, the Court Martial Appeal Court and the Tax Court of Canada.

What is the benefit of Bill C-30? The auditor general said one benefit might be some cost savings if the bill were passed. The member referred to the independence of the administrative side of the court system as one rationale for this. I am not sure what that has to do with the independence of the judiciary.

A third benefit we should look at is a greater efficiency of the court system, although the other side of it has a cost factor attached to it. Presumably there will be cost savings by bringing this administrative regime into being. However will people be laid off now that we are consolidating all the courts into one administrative system? If one administration system is to be instituted, will there be some labour savings from it?

Will there be empty government spaces as a result of the consolidation? Will paperwork be reduced? Who will manage this change and who will measure whether we get the results the government says we will get out of it? I do not know how clerks and other people who work in the court system have anything to do with the question of greater independence of the judiciary. Who will measure it to see whether it is worth all the time and trouble to do it?

In the name of saving some dollars and bringing greater efficiencies, there are 54 pieces of legislation affected by this one little change. How much time did lawyers in the justice department spend to find out which 54 pieces of legislation will be affected by this one minor change? How many hours did they work on it? How many hours will it take to fully implement the legislation?

If there were 1,000 copies of a piece of legislation that the government needs to carry out its duties affecting 54 pieces of legislation in both official languages plus the regulations that go with it, it could work out to something like two million pieces of paper. Yet the government says that it is for the environment and that it will not waste resources and so on.

Who will check the quality of this administrative system? We went through all the trouble of tinkering with the bill. Is there anyone in charge to see whether we will get any quality improvements from our judicial system?

Government Orders

There are many people outside the judicial system who have tons of complaints about the system and the lack of response to their needs when they required justice. Is there anything in the bill that measures quality improvements in the delivery of our judicial services?

Liberals believe that if there is a problem out there all they have to do is have the justice department manufacture another law and order a result. I am sure in the government's mind it could get cats to bark if it got the justice department to work on it. All the cats in Canada would be barking the minute the government passed it through the House, got it through the Senate and made it law.

● (1810)

This is the problem I have with the bill. It is a knee-jerk reaction to consolidate administrative services under one roof, with the assumption that all these pluses will come out of it. I am very skeptical that any real results will come out of it.

The government has a tendency to believe that if things can be centralized and consolidated they will get better. For 125 years it has managed native and aboriginal services in the country from coast to coast out of one centralized department in Ottawa. Do we have anything positive to show for that? We have welfare dependency, poverty, and a lot of problems that we do not like. That is the government's way of dealing with it.

The government said it would be a good thing if it ran our pension system to guarantee pension benefits for Canadians. What do we find after 30 years of it operating our pension system? We have a very dismal type of benefit package in relation to what people have contributed to it. We have a huge contingent liability. We are imposing huge surcharges and extra charges on other people to deliver those things.

I like the fisheries department. The government has been running the fisheries department for a long time. If I look at the fisheries correctly, the Atlantic Canada fisheries are almost dead. The B.C. fisheries are close to that. There are probably more people working in the fisheries department than there are fishermen in the country.

The Liberals have a lot of belief in that sort of thing: if they could build a few more stories on top of the justice department and pass a few more pieces of legislation then everything would look up.

With all the changes to 54 pieces of legislation how much time will it take the government to retrain all its administrative people so they can learn all the new changes that will take place? Will it be holding a whole series of meetings over the next six months to retrain people on the great changes it has introduced under Bill C-30?

That brings me to the area of whether we will get any real benefits from consolidation. At one time there was a supreme court trial division, provincial courts of appeal and the Supreme Court of Canada. We did not have the Federal Court of Canada. For over 100 years the country got along without the federal court system.

The Liberals thought they needed another court system, a federal trial division and a federal appeal level, even though we already had those in existence in the provinces with our provincial courts of appeal and trial divisions of the superior courts. The Liberals

appointed those judges and set their salaries, but we had to have another layer of judges.

It is very confusing in a jurisdictional sense. It is very complex and difficult to decide where an action or proceeding should take place, whether it should go through the provincial or federal court system. However when it gets to the Supreme Court of Canada it all ends up in the same place.

If the government really wanted to consolidate things and bring some real clarity, accountability and savings in terms of tax dollars, it would consolidate the federal system with the provincial court system.

It would eliminate 200 judges and save \$4 million a year at the bare minimum without even getting into all the clerical help and everything else. That is an area in which we could benefit from some consolidation, but the Liberal government does not do things that way. It does not want to downsize the empire it helped to build. A lot of its pals in the legal community would lose potential esteem by being appointed to one of these courts.

There were some comments made by a colleague about the independence of the judiciary. I have a lot of problems with that argument.

● (1815)

Our system is based on the British system we have inherited and refined. In the final analysis the 301 people who came to the House of Commons, providing that public sentiment is with us, should have the final say on the laws of Canada.

It is not the courts. They are not elected and not directly accountable to anybody. They are there for life or until they retire. They do not have to face the media or parliamentarians. If we say something that is not quite right for some of them, we can be held in contempt of court by them. They have a lot of power. I am disturbed at how much power we have transferred to the courts.

If we look at the Ressay case that we dealt with in the House, one of the problems with Ressay and our immigration refugee system was the courts. They decided that we did not make the rules in the House, that they did, and that if they did not like someone being sent back to some country like Algeria they would not send him back.

I do not agree with transferring power from a democratic institution to an institution that is not democratic, and then transferring more and more power. I do not know how the secretaries, the clerks and the administrative people in the court system have anything to do with judicial independence and the separation of powers of the judiciary in the court system.

It is another tendency where we are transferring fiscal power from the House of Commons, from the finance minister and so on, to the courts. They are making court decisions that are imposing huge financial burdens on Canada and on the taxpayer.

Indirectly they are now getting to a position where they can start deciding who in the public service comes within the ambit of judicial independence. They will have the final say on the benefits package, the salary benefits that are paid out to these employees. I find this disturbing.

I would have thought that based on experience the government would realize the tendency to move in this direction is wrong and that we will have to back off in a lot of areas. The Americans will make us back off in a lot of areas, as will the United Nations with its conventions on deportation of refugees. We will have to back off, get off our high horses and use some common sense.

I am disturbed the government would be giving more power to our court system. The courts have plenty of power and do not need any more than they already have.

We are kind of reluctant supporters of the bill. It is a very timid type of bill. If the government had some courage it would be looking at a serious consolidation of our judicial system and at some of the big time savings we could have on a year by year basis.

I doubt whether the bill will save anything. By the time we are finished implementing it, changing all these laws and retraining everyone, we will be in the hole for a long time. My Liberal friends figure that if they pass a law, bingo, everything will be okay, that tomorrow the law will be in place and everything will fall into place.

It is not the way things are managed in the world. If we want results we manage those results; we do not order them or command them. The government has to learn that. It is very poor at that and it is time it started looking at a whole different way of doing public administration.

• (1820)

[*Translation*]

Mr. Michel Bellehumeur (Berthier—Montcalm, BQ): Mr. Speaker, it is a good thing I do not have much time to talk on this bill, because I do not have much to say on such a bill, except that we support its passage.

No one in this House can oppose the desire to modernize the major federal courts and bring them together into a single administrative body.

For those not watching earlier, the aim of this legislation is to combine the administrative services of the Federal Court of Canada, the Court Martial Appeal Court and the Tax Court of Canada. Clearly then, the Federal Court Act and the Tax Court of Canada Act will be amended.

The aim is a worthy one. It is somewhat like what the Government of Quebec did for the administrative tribunals. The aim was to help people find their way around in the statutes and in the courts that had any bearing on taxpayers' rights. The federal government is doing the same thing for three of its courts.

When we examine Bill C-30, we realize that the objective of the bill is to be found in clause 2. This is usual. There was no effort to have a preamble that contained nothing but empty wishes, as has been the case with some government bills in the House, including the Young Offenders Act. It had a fine preamble that was practically meaningless, and the courts interpreted it that way.

Government Orders

In this bill, instead of being included in a preamble, the aim of it appears in clause 2. It should always be this way.

Clause 2 provides:

2. The purposes of this Act are to

(a) facilitate coordination and co-operation among the Federal Court of Appeal—

I do not think anyone can oppose that. The bill also is intended to:

(b) enhance judicial independence—

Here again, I do not think that anyone in this House can object. I would have preferred it if the government had gone even further. If it wants the courts to be totally independent, it should perhaps change the way federal justices are appointed, which is very archaic. The appointment continues to be made by one or two people in cabinet.

The bill also has as an objective:

(c) enhance accountability for the use of public money in support of court administration—

I believe that grouping together all the resources and putting these three courts under the same administrative umbrella will ensure greater efficiency.

What I object to, but this is to be expected from a Liberal government, is that it is always a little hard for the government not to engage in politics and partisanship, particularly after being in office for years. There are many friends to reward. For example, the appointment of the chief administrator will be purely and simply a partisan appointment. Sure, the government will consult judges of the Federal Court of Appeal, the Tax Court of Canada and the Court Martial Appeal Court of Canada, but the final decision will be made by the governor in council.

For all intents and purposes, the process with the chief administrator will be exactly the same as with the judges of the federal court, supreme court and superior court. It will simply be an appointment by the government.

If we want to achieve the laudable objective of enhancing judicial independence, we should begin with the appointment process. We should begin with the appointment of the chief administrator, if we really want to be consistent with the purpose of this legislation, which is not the case right now.

What I really like in this bill is that the chief administrator will report to parliament.

• (1825)

Clause 12 states:

12. (1) The Chief Administrator shall, within six months after the end of each fiscal year, send to the Minister of Justice a report on the activities of the Service for that year.

(2) The Minister of Justice shall have a copy of the report laid before each House of Parliament on any of the first 15 days on which that House is sitting after the day on which the Minister receives the report.

That is all well and fine that there is a report to parliament, but since the chief administrator reports to parliament, why is it not parliament that appoints the chief administrator?

I see the government House leader is saying no. I understand, because that would mean they could not appoint their friends to these positions. Yet, of course this would enhance independence.

Government Orders

Yes, it is fine for the chief administrator to report to the House, but the appointment needs to be reconsidered.

Not only is there the chief administrator, there is also a series of judicial administrators. This bill's weakness, in my opinion, is the series of appointments and this government's approach.

Once again, the objective is laudable. It is similar to the Quebec national government's approach to its administrative tribunals. The federal government is taking up their idea. That is fine. These days we have to streamline and group administrations together. This is what the federal government is doing.

[*English*]

The Deputy Speaker: Pursuant to order made Thursday, September 27, 2001, the House shall now resolve itself into committee of the whole to consider the difficulties experienced by the Canadian airline industry.

* * *

• (1830)

[*Translation*]

CANADIAN AIRLINE INDUSTRY

(House in committee of the whole on Government Business No. 13—Mr. Milliken in the chair.)

Hon. David Collenette (Minister of Transport, Lib.): Mr. Speaker, I am pleased to rise tonight to address this very important issue.

[*English*]

I wish to deal with the impact of September 11 on the air transport industry from two perspectives: security and safety and the financial viability of the industry.

Obviously on September 11 a total review of safety and security measures was instituted and that is ongoing. Before planes returned to the sky after September 11 Transport Canada instituted tougher, more rigorous standards which were developed in consultation with the FAA.

It is important Canadians understand that we have instituted tougher security measures at airports, both for screening of passengers and employees but also on planes. It is also important to impart this information because the country needs to have people go back to the skies. We must encourage people to fly because flying is safe, especially with the new security measures.

Some of the measures have included: limited access to restricted areas at airports; security controls and screening checkpoints have been tightened; increased police presence at major airports; increased passenger screening; enhanced baggage security measures; measures to prohibit small knives and knife-like objects on board aircraft; the requirement for cockpit doors on all Canadian airline passenger flights, domestic and international, to be locked for the full duration of the flights; the purchase of advance explosive detection systems for a number of Canadian airports; and the active pursuit with the FAA, European authorities and others of security improvements to cockpits, including fortifying cockpit doors. We are in the process of implementing further enhancements to passenger screening and additional security measures with respect to cargo shipments.

My strategy since the tragic events have unfolded is to announce initiatives as they are ready to be implemented, not to stand and make some big speech for public consumption but to announce them either in question period as I did with cockpit doors, in scrums or in other venues, and be available in the House of Commons every day since parliament has opened to answer questions from hon. members on a daily basis.

There has been a lot made of the announcements of Mr. Bush. I do not take those announcements lightly. Except for the issue of federal marshals on board planes, Canada's new security measures mirror or complement initiatives taken in the U.S. In some cases the U.S. mirrors our own regulations.

While allowing armed sky marshals on flights is not a direction in which Transport Canada is actively going at the moment, we will carefully consider all practical means to improve security. A comprehensive sky marshal program would have serious practical and financial implications which would need to be considered in co-operation with other departments and agencies, including the RCMP.

[*Translation*]

Hon. Don Boudria (Minister of State and Leader of the Government in the House of Commons, Lib.) moved

That this Committee take note of the difficulties experienced in the Canadian airline industry.

[*English*]

With respect to the U.S. measure on funding of \$500 million for cockpit modifications, we are now discussing similar modifications with the industry. With respect to the measure to restrict the opening of the cockpit doors, I announced that prior to the U.S. announcement. With respect to the fortifying of cockpit doors to deny access from the cabin to the pilots in the cockpit, together with funding for cockpit modifications, we are pursuing these issues with the FAA and European authorities because any new regulations really have to affect Boeing in the U.S., Airbus in Europe and Bombardier. Those funding issues are now being discussed with the industry.

Another measure the U.S. is bringing forward is that of alerting the cockpit crew to activity in the cabin and ensuring continuous operation of the aircraft transponder in the event the crew faces an emergency. Again, we are working with the FAA and others to make the best use of new technology to enhance aircraft security.

We are part of this effort. It is a transborder, it is an international effort.

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The U.S. announced the establishment of new standards for security operations. We already play a strong role in the management and oversight of airport security services. Our current role includes setting standards for the training and performance of screening personnel. Transport Canada employs inspectors across the country at all major airports to oversee the test and performance of screening procedures. Our inspection and testing procedures have been increased since September 11. We have retained additional personnel, many of them with experience in security and other technical areas, former Transport Canada employees. We will be building on that as the weeks go ahead. In this case the new U.S. measures bring them more into line with Canadian practice.

With respect to the supervising of the passenger baggage security at 420 commercial passenger airports in the U.S., we already play a strong role in the management and oversight of airport security services. This includes setting the standards for training and performance of screening personnel. The U.S. is following Canada in becoming more involved in security oversight. The government's assuming direct management and operation, which of course was the practice a few years ago, is something that has been advocated by many in the House. We are not closing the door on anything, but I would like to have the views of hon. members on this.

Last, the president of the United States talked about extensive background checks and test screeners and security personnel. We are already doing this. We are working with the RCMP and CSIS conducting background and security checks of anyone requiring a permanent restricted area access pass, including screeners and airside workers. Steps are already under way to further improve the clearance program. In fact, again the U.S. is adopting practices which are already in place in Canada.

That is not to say that we have all the wisdom. We are learning from the FAA. We are working together. Canadians have to know that there will be a seamless security regime in North America. It does not mean to say that we cannot do things our own way, implement our own measures as we did on September 11. Of course the FAA was comfortable with the measures that we instituted on September 11, as we were comfortable with theirs.

In the remaining minutes I want to talk about the viability of the Canadian airline industry because there has been a lot of discussion on that in the last few days. Certainly the House provided leadership in the restructuring of the airlines because we ensured that the interest of the general public, travellers, employees and small communities were protected. Despite the difficult problems of merging operations of the two carriers in the last 18 months or so, and there have been many bumps as we know and we all have our own little tales to tell, frankly Air Canada has done a very good job on a macro level of merging the two carriers. In recent months it was turning its attention to improved customer service and plans for the future when the business environment began to change.

Bill C-26 was designed to protect and enhance competition and express confidence in the ability of the industry to meet the needs of the travelling public. That competition was there before September 11. The market share domestically of Air Canada declined from about 82% to 65%. Even before the events of September 11 the combination of an economic slowdown, a rise in fuel prices and a major drop in the level of business travel began to take a bite out of

the airline industry worldwide. Canadian carriers, including Air Canada, announced plans to adjust its operations to the new realities.

The terrible events of September 11 and the major cost of the shutdown period have pushed the airline industry, already suffering from the beginnings of an economic downturn, into a tailspin. The losses threaten the financial viability of some carriers.

• (1835)

The situation has been made worse because many travellers choose not to fly or use alternative modes for travel. Forward bookings are down.

In response to the changed conditions, airlines all over the world have announced painful restructuring programs to deal with the crisis. Air carriers have announced layoffs, capacity cuts and aircraft withdrawals. Within two weeks, over 125,000 jobs worldwide have been lost, including in Canada.

Stock prices of major carriers around the world have declined dramatically in the aftermath of September 11. Carriers have experienced problems in raising loans as the perceived risk of investing or lending to air carriers has increased. The cost of the shutdown, the drop in revenues from declining air travel and the inability to borrow money has placed a great strain on the cashflow of most Canadian carriers.

The crisis in the airline industry has wider impacts beyond the industry itself. The drop in airline travel has affected a broad range of related industries, NavCanada, airport service providers, aerospace and tourism to name but a few.

I would like to reassure Canadians that the government will take firm action to maintain the viability of the Canadian airline industry throughout this crisis. I want to hear the views of members of the House tonight before the government moves forward. I must remind my colleagues that the government has already acted in some areas, such as in providing 90 day indemnity for third party war and terrorism liability for essential aviation service operators in Canada. I think that since September 11 we have shown that we want to act and we are prepared to act.

Everyone has a view on the future of the airline industry. However, I can say categorically that the government is committed to the continued viability of all of the air carriers in the industry and especially our nation's flag carrier, Air Canada, which is the world's 11th largest airline. We are committed to that.

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The shape and the form of Air Canada as we go forward in the months ahead is something for debate in this House and is something to be determined. I believe that when this is all done, Air Canada and the other companies affected will come out of this crisis stronger and renewed to provide Canadians with the kind of air service that they want and deserve.

● (1840)

Mr. James Moore (Port Moody—Coquitlam—Port Coquitlam, Canadian Alliance): Mr. Speaker, all of this hype and that is it. A statement. There is no commitment to legislation, no commitment to coming to the transport committee, no announcement of broadening security measures. The transport minister bragged about the fact that he has new security measures, but he has not said whether or not they are permanent. He has not entrenched them into law. He has not in fact apologized for Transport Canada's one in five failure rate in smuggling replica guns, knives and bombs past security.

What are the reforms the minister is offering to change that? He has offered no legislation whatsoever. He has talked about new technologies at the airport, new screening devices, but he has not announced that the airport staff and security teams are going to be trained on the new technologies.

An hon. member: There was a bomb scare in Calgary.

Mr. James Moore: As the hon. member just said, there was a bomb scare today in Calgary. There is a concern in the airline industry.

The transport minister said that he likes to come to question period to make small little announcements in scrums. That is not what the country needs. The country needs a broad, firm public statement and a showing of leadership by the transport minister. Frankly we need to see what happened in the United States on Thursday last week.

U.S. President George W. Bush stood in Chicago with the transportation secretary and the governor of Illinois and announced some bold initiatives. It was not just some fluffy rhetoric or a prepared statement. It was not a bunch of fluff like we just heard.

The president said that the U.S. is going to put 12,000 air marshals on planes. It is going to retrain all airport security staff. It is going to look at whether or not it should re-nationalize airport security. He made some bold initiatives and committed some real capital and some real financial resources to making it a reality.

He stood before the American people on CNN, live on a national, global network and said, "Fly the friendly skies. Our standard of living will not be impacted by these terrorists. There are air marshals on the planes. You are free to fly. There are new security measures on the ground". He made real substantive announcements. He said, "Get on planes. America is behind you. We will not have our standard of living impacted by these terrorists". That is the sort of leadership we need to hear in Canada but instead we have gotten fluff and a vague statement.

I want to move specifically to the issue of Air Canada. The debate has been hyped all day. Frankly I do not know that many Canadians were holding their breath for serious answers, but we were looking for them and hoping for them.

September 11 did have a devastating impact on airlines around the world. Canada has been no exception. In other countries leaders have undertaken bold initiatives to reinforce public confidence in the airline industry and to quickly address the public security concerns with regard to flying. They understand only too well that the best way to restore the international health of the airline industry is to put people back in airline seats where they belong.

Airplanes filled with passengers more than any government bailout of cash that may be proposed is the long term solution to airline competition in Canada and around the world. I must say it is more than difficult to fully engage in this debate regarding financial compensation for the airline industry given the absence of some crucial information.

One, the fact is that neither Air Canada nor any other air carrier has publicly stated the compensation amounts they are seeking.

Two, neither Air Canada nor any other air carrier has submitted a written request for tax dollars.

Three, we have not had a full audit and accounting of the rumoured lost revenue to the air carriers as a direct result of the terrorist attacks.

Four, neither the transport minister, the finance minister nor the Prime Minister has publicly and unequivocally ruled out even the most inflated rumoured requests for taxpayer dollars giving the House and the public no clear indication of their direction vis-à-vis a possible bailout for the air industry.

Five, neither the transport minister nor any other cabinet minister has tabled in the House or before any of the standing committees a specific proposal as to how the government should assist the airline industry in this time of difficulty.

Six, the finance minister has not committed to bringing in a budget at any time in the foreseeable future. Therefore, parliamentarians are left without a clear sense of Canada's fiscal capacity to assist any industry let alone the airline industry.

I say that absent this data, absent having these fundamental questions answered, this debate has been rendered largely neutered. Absent this information, this debate is taking place in an information vacuum.

That having been said, as the transport critic for the official opposition, there are some principles I would like to outline that should guide this debate as we move forward.

● (1845)

First, it is a dangerous game to go down the road of subsidizing business without a clear objective and an end to the subsidization in sight. To reinforce this point, I would like to quote Air Canada CEO Robert Milton. When he appeared before the Commons transport committee on Wednesday, October 27, 1999, he said:

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For Canada what we really need to do is to draw a line in the sand and say we're going to stop these unnatural market forces taking place. We're going to truly do what the minister said two and a half months ago and let the market forces prevail in order to achieve a really sensible competitive set in the industry where competition can really flourish. That's what I believe will happen if the government gets out of the game and lets the market prevail.

Mr. Milton was right then, but I am afraid that it may now be up to others to address this principle.

As a second principle, it is, I would say, a moral obligation for members of parliament, those of us entrusted with overseeing the spending of billions of taxpayer dollars, to ensure that those dollars are spent efficiently and appropriated to the areas of highest collective priority for Canadians.

In recent days, various Canadian air carriers have made statements regarding the financial impact of September 11 on their businesses. We, as the official opposition, are prepared to consider any proposal that is tabled in the House. With regard to Air Canada specifically, we understand that Air Canada was reported to have requested roughly \$1 billion prior to September 11. The debate should be focusing on how to assist Canada's airline industry in dealing with the drastic consequences of the September 11 attack.

In considering this, we are prepared to examine the airlines' reservations for September, October, November and December of this year and compare them to similar numbers in recent years with a view to trying to determine the financial impact on each airline due to the events of September 11. These numbers can be compiled and they will help answer questions surrounding how big an impact the attacks had on the industry and how much money Canadians might be asked to contribute.

That having been said, the situation with Air Canada prior to September 11 must be taken into account. It has lost \$168 million in the first quarter of 2001 and \$108 million in the second quarter, but was forecasting a pre-tax profit of \$28.6 million for its third quarter, which includes July, August and September airline traffic. The net financial reality of these three quarters has been abysmal. Normally if an airline cannot turn a profit over the summer season its long term viability is in doubt.

I understand that my time is running low but I want to make this point from the official opposition very clear. If any compensation from the government is forthcoming, for the official opposition it must follow three guidelines.

Number one, it must maximize taxpayer and consumer benefits. Number two, it must be fair to all carriers and that includes the view from the official opposition that Air Canada should not be subsidized by taxpayers in order to create a low cost regional carrier that can be seen to drive its competitors out of business. Number three, Air Canada should ask for taxpayer bailouts only after it has maximized all other avenues.

Mr. Milton in his speech in Montreal last week said that he has over \$1 billion in cash on hand, he has assets that he has not refinanced and he has credit that he has not tapped into. All these other resources need to be tapped into fully before taxpayer dollars are asked for.

Of course, as a fundamental principle of this party, any potential bailout must come to the House for a full vote. There must be no secret deals. This should not be decided by cabinet in the absence of the contributions of the members here, in the absence of the full House. It should come to the House for a full vote, a free vote. That is the only way to do this properly. Until then, Canadians and the official opposition certainly hope to see much more concrete, not rhetorical, leadership from the Minister of Transport and the Prime Minister than we have seen thus far.

• (1850)

[*Translation*]

Mr. Mario Laframboise (Argenteuil—Papineau—Mirabel, BQ): Mr. Speaker, let me read again the motion now before the House. It says:

That this Committee take note of the difficulties experienced in the Canadian airline industry.

To listen to the Minister of Transport, the industry's problems are all linked to security issues. He told us that he has solved all these problems. He has had or will have changes made to cockpits. He was very eloquent about the viability of the industry. What he promised is that he would look after things if the industry ever got into trouble.

That is what the Minister of Transport had to say in a debate that is surely watched by some air industry workers. After all, Air Canada did announce 9,000 layoffs; Air Transat, 1,300; Rolls Royce, 22; and Pratt & Whitney, 600. All the government has to say for itself today is that security in the cockpit will be improved, which brings us back to the same old question "Does the government have a plan? If so, will it tell us what it is?"

There have been requests from the airline industry. Air Canada was one of these. Can we know today what Air Canada asked for, and what the government's financial situation is? How is it capable, with the taxpayer money, of predicting the impossible, this tragic and horrible situation that occurred last September 11, putting the safety and security of air travellers in jeopardy as well as the future of an entire industry that is highly prosperous in Canada, and in Quebec in particular?

In a debate as important as this one today, an emergency debate on the airline industry, all that we get out of the Minister of Transport is "We have improved security". As was necessary. It was what everyone would want to see to restore travellers' confidence. That was obvious. The decision has been made to reinforce cockpits, and we agree with that. What about the 13,602 jobs lost in the airline industry in recent weeks? What about that? That is the debate we thought we would have seen develop here in the House today.

The Bloc Québécois will give its position to the minister. That is what he wanted and we are prepared to do so. What we want is for the airline employees not to be the ones that have to pay through job losses for the entire problem arising out of the September 11 events. That is what we want. That is what the 13,602 workers want from the minister. They want to have job security, as far as the events of September 11, which were not of their doing, are concerned. It is as simple as that.

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Today then, it is clear: the airlines must be helped, in all sectors, the men and women who have lost their jobs or will do so in the weeks to come, because of this dreadful situation to which they had no connection and for which they assuredly did not ask to lose their jobs. That is what we are proposing: to help the struggling airlines and the entire aeronautical and aerospace sector to absorb all the repercussions.

We are now seeing the domino effect of these sad events. People are less inclined to fly. Airlines are losing money. This has an impact on aircraft manufacturers and parts suppliers. The whole industry will be penalized. If we look even further, there are repercussions also on the tourism industry and on everything international tourism could bring to Quebec and Canada.

We want to know if the government is willing to deal with all job losses resulting from events beyond the control of any of the employees who have been laid off since September 11. That is what we want to hear today. The government has the money. We know that the accumulated surplus since the beginning of the year is estimated at nearly \$10 billion, and the government has access to that money. Is it ready to sit down and negotiate with businesses, to find ways of getting the industry back on its feet? That is what we want to hear. We want to know if the government is willing to help all sectors that have suffered losses because of the sad events of September 11, be it the airline industry, the aeronautics industry, international tourism or any kind of tourism.

That is what we are hoping to see develop tonight. That is what the Bloc Québécois will focus on over the next few days. We will not stop asking questions because we want to know what the government plan is and what the airlines' demands are.

• (1855)

If we take the case of Air Canada, we know very well that, prior to September 11, Air Canada had made requests. Cuts had already been announced. There was talk of 3,500 jobs being lost. In Air Canada's annual report to shareholders on May 15, the president, Mr. Milton, had already announced that there would be staff cuts in his company, which were to be achieved through voluntary departures, authorized leave, and attrition. No one would have their job ripped away from them. This was the policy Air Canada had announced.

There was also a request for loans. We were told that there would be a request for \$500 million in loans to help buy new aircraft. The company asked for a \$500 million reduction in federal government airport fees, as well as a reduction in fuel tax. These were requests made by the company prior to September 11.

These are requests about which the Bloc Québécois will be very demanding. We do not wish to enrich the shareholders of a private company without due cause. We want everyone to be very clear on this: we are prepared to agree to assistance to the industry for all the problems associated with the September 11, 2001, attacks; but the industry will have to pay for mistakes it made on its own prior to September 11, 2001.

Earlier, the minister told the House that errors were made along the way. What the public needs to understand is that those mistakes were not made only by the industry. The government also made mistakes when planning the integration of the two airlines, because

that is what we are talking about here, the integration or merger of two airlines.

Under the circumstances, we have to be able to put things in perspective for the benefit of those who are watching us. We need to cover the losses incurred by the industry since September 11. Investors and shareholders have to face the music for what happened before September 11, just like the other companies have to do.

In a press release, WestJet announced it was doing fine, that, despite the tragic events, it was in top shape financially. It was in great shape at the beginning of the year, unlike Air Canada. As we can see, some companies did well.

It is important to tell the men and women who are watching us, who work hard to pay their taxes, that the federal government will not spend their money to correct the mistakes made by some airlines managers. We will leave it to the shareholders to assess the decisions made by the CEOs and the boards of those companies.

To deal with the serious impact a tragedy like the terrorist attacks of September 11 has had on the airline industry, the aeronautics industry and the international tourism sector, what we want and what we need is a governmental action plan. We know the federal government has money. Some of that money could be made available following a thorough debate, and not just the rhetoric we heard from the Minister of Transport tonight.

This evening, on the strength of a motion as simple as "That this Committee take note of the difficulties experienced in the Canadian airline industry", the minister managed to boast about the merits of his decisions on security, for which he guaranteed that, if the industry had a problem, it would have the support of his government.

It seems to me that the minister must reveal now or never the demands of the industry so we, with him, may be able to make recommendations. How much money does the government have to help out the industry and the 13,602 people who, as we speak, have seen the layoff notices: 9,000 men and women at Air Canada will lose their job, 1,300 employees of Air Transat, 2,680 people at Bombardier, 22 at Rolls Royce and 600 at Pratt & Whitney. So, we have 13,602 people who have paid their taxes like everyone else and who did not deserve to lose their job.

As the result of a single day, a single tragic event we all deplore, they are today, with their families and their children, practically out in the street. This event occurred, and the government made no provision for special assistance or for money to be available to help these 13,602 people and the others who will join them in the coming days.

We hope there will not be others. We do not want to be prophets of doom, we want no more loss of jobs, but these are the logical consequences of the domino effect in an industry that strongly felt the backlash of a catastrophe Canada had never imagined.

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•(1900)

We hope that the government makes the right decisions and that it tables in the House a plan with figures, the demands of the various types of industry and the amounts that should be made available so that the men and women who have lost their job may see the light at the end of the tunnel.

[*English*]

Mrs. Bev Desjarlais (Churchill, NDP): Mr. Chairman, I would like to acknowledge all the members who are here this evening to take part in this take note debate to highlight some of the key issues related to the September 11 attack.

From the airline industry perspective, we are looking at three specific types of issues. First is the security of airports. Second, is the devastation of the industry and the economy and the domino effects it will have. Going along with that, third, and it is important that we list it and pay special attention to it, is the number of workers who will be laid off as a result of the number of the companies that have been affected. This has been mentioned by my colleague from the Bloc and we need to highlight that as a key issue.

On the last issue and the second one, it will involve not only the transport minister's willingness but the willingness of the members of his cabinet to do what was intended by their own departments. I will comment on those a little further.

I will start off by commenting on the security. The minister mentioned a number of things that have been done. Quite frankly, a number of things now being done as we go through airport security, such as checking with electronic devices and all these things, have been in place for a number of years. They should have happened all along, but there was a failure to ensure that they were being done. Electronic devices were always supposed to be checked. Every laptop was to be opened and every cellular phone and camera checked. However the travelling public gets in the way of that.

Security guards take a lot of flack at the airports. They earn \$6 or \$7 an hour.

An hon. member: \$7.20 in Halifax.

Mrs. Bev Desjarlais: Mr. Chairman, my colleague from Halifax says \$7.20 in Halifax. Every couple of years the contract comes up for renewal, but the employer tells them if he cannot keep his costs down he will not get the contract and they will be out of a job. I have seen it happen on numerous occasions where those contracts have changed every two years in some airports. It is crazy. How can we have qualified, experienced people working at an airport doing airport security checks making \$6, \$7 or \$8 an hour and taking the flack they take? It just does not work.

What has happened since September 11 is that the failure in the security system has been highlighted and people are uneasy. I am not saying that that is the reason the attack happened on September 11 because it is not. I do not think that because those few knives went through that the attack happened. However, people are more uneasy now because they are questioning everything that is happening as far as security.

Last week or the week before that, ten pounds of cocaine were found on the inside panel of an Air Canada jet landing in Winnipeg.

It had come from Bermuda or the Bahamas through Florida up to Winnipeg. I believe that has happened on eight occasions in the past five years where drugs have been put in panels in different spots in an aircraft. It comes right through all the systems. A fairly easy way to deal with that, at a little more cost, is to have sniffer dogs to check this out.

We all recognize that when drugs are involved, this increase tension and the risk of danger on aircraft because these people can be dangerous to deal with. Workers are enticed in some of those areas to be part of that, thus increasing the risk to travellers.

From a security perspective, a number of things have happened. The minister announced improvements to the cockpit doors. I think everyone thought, thank God at least that has happened. People will at least feel they have a door between them and that hopefully it will be thick enough that it cannot be booted in. Let us face it, if any of the doors on the planes right now were locked, we could boot them through with a little kick of our leg or a push of our hand. So hopefully that will help.

However, we have to wonder that, if the pilot of the plane knows his crew and passengers are at risk, how strong will he feel about not opening that door? No question, September 11 will have changed a lot of people's thoughts, but in time how would that pilot feel about leaving his crew and passengers on their own?

I believe other security issues are being looked at such as cameras or contact devices where there can be notification that something is happening.

•(1905)

These are all excellent security measures, however, there is a lot more that could be done and it needs to be done. If we want to get the confidence of the travelling public back, it is not good enough just to say the skies are safe, get up there and fly. We have not proven to Canadians that the skies are safe, not when reports indicate that 18% of checks show that all these different things go through. These are not little things, not like a little file that is in someone's pocket, but guns and explosives. That is crazy. It should not happen.

Certainly from a security perspective there is a lot that needs to be done. As a caucus we strongly believe that the department and the Government of Canada needs to take over the responsibility of operating the airport security, without question.

It is a sure way. I do not agree with everything the U.S. has suggested, certainly not the air marshals. An air marshal with a gun on a plane is not going to make me feel a whole lot safer about flying. There are some things that can be done to improve the security measures. Having the national security overseeing what is happening and doing part of the baggage checks now is definitely a plus.

From the perspective of the situation of the industry and where it was before, we all recognize Air Canada was in a bit of a pickle before September 11. If anyone goes through their clippings from Transport Canada and from the industry, they will see numerous clippings about the number of job layoffs in the province.

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From my perspective that just exemplifies what we as a caucus, as a party, have maintained all along. Merging those two airlines without any kind of regulation was not going to save the airline industry. Something as basic as regulating domestic capacity would have saved both airlines, Air Canada and Canadian Airlines, if we had done it internationally with a strong international market. In other words, if there were so many people flying out of Calgary, then there should be so many carriers there. If they reached a certain number, then another carrier could be allowed there.

We should not allow this cutthroat kind of approach where we have two aircraft right after one another and not expect to have problems in the airline industry.

With Air Canada, Mr. Milton made a lot of promises he did not keep. I listened to that man say to numerous employees and numerous people that this was what they were going to do and that everything would be wonderful. He said that he would save the world, that everyone would have their jobs and that it would be fair for Canadian Airlines and Air Canada employees. It has not been, but in spite of that they tried to work it out. It was not a pleasant situation.

On top of that, even at this crucial time with a destabilized industry, he is still talking about pulling certain jets off from regional areas and starting up a low cost airline. Mr. Milton should give his head a shake. If we will not fly with his company on regular basis, why would we fly with him on a low cost one? Most air passengers will say that they cannot get much more low service than what they have got for the last little while. Jokes about the pretzels are minor. The service was not good just a short while before September 11.

From that perspective, there needs to be some rules put in place. I hope the market can handle this. I hope all these people who believed in a capitalized, private market that would set the tone and pace and provide everything we need feel good about this because it has not and it has jeopardized the whole airline industry in our country. It has not worked.

I encourage, especially at this time, the government if it does not do any other regulation, at least regulate domestic capacity and do not allow the airlines at this time try to cut each other's throats and jeopardize the whole industry. There needs to be a cooling off period. We need to put up the cautionary flag like on the race track. The yellow flag is up for this many laps guys, until the industry gets a chance to stabilize. Let us see how that works. We might find it is the best thing we can do for the airline industry in Canada.

To also assist in the economic downturn, we mentioned a number of things over the last couple of weeks. I will credit the minister because he has been in the House probably every day since this all started. Although we do not always appreciate his answers, to his credit he has been here each and every day, taking the flak and doing it rather graciously.

He knows that I have never been one for favouring the cutting of the airport leases because I always felt that if they wanted this privatized system, they could pay market value.

● (1910)

However with the situation in the airline industry, the government should look at cutting the airport leasing fees or reducing them,

whatever needs to be done to give all airports in Canada a fair shake, and as a result make sure they pass that savings on to the airlines. Again, everyone benefits.

The government should be giving greater support to NavCan so it does not have to increase its fees and hopefully be able to low them. Again, this would benefit every airport in Canada. We would not have a situation where only a few benefited.

Members will not often hear us talking about giving corporations tax deferrals, but this probably is one of those times where interest free loans are an appropriate way to go. This is a crucial time. The rules changed on September 11.

From the perspective of the workers, the Minister of Finance will have to give up part of his cash cow, the EI fund of the Minister of Human Resources Development. He will need the assistance of his colleagues in the cabinet. That EI fund is intended for specific things. Numerous members have criticized the use of it over the years. It has been used as part of general revenue. This is a crucial time and that EI fund needs to be there for all those workers who will feel the impact.

The suggestions that have come from a number of the unions such as the IAM, CUPE, CAW—

The Speaker: I am sorry to interrupt the member but her time has expired under the rules. I am afraid I have to cut her off at this point.

Ms. Val Meredith (South Surrey—White Rock—Langley, PC/DR): Mr. Chairman, I will begin by complimenting the minister on his attending and giving us an opportunity to share with him some of our thoughts on where the government should be going with regard to the crisis in which the airline industry finds itself.

There is no question that the world of aviation changed on September 11 but not all the problems that are being faced, particularly by Air Canada, began September 11.

Some of the problems, quite frankly, are decisions that the government made in responding to the last crisis in the airline industry. I think Canadians would agree, some more so than others, that there is a financial responsibility that the Government of Canada has in regard to the airline industry.

It is quite clear that Canadians accept the fact that the Canadian government should be responsible for the direct costs that Canada's airlines have incurred since September 11. There might be different ways of dealing with that direct cost. It could be money up front and then, after audited statements, additional support given months down the road. It could also be credit assurances or whatever. Canadians will accept the fact that the direct costs incurred should be covered.

Many of my colleagues this evening have spoken about the security issues. I think Canadians want the federal government to take back control of security at all airports in Canada.

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There are only three countries in the world that the government does not control airport security: Canada, the United States and Bermuda. Canadians want the security of knowing that it is the Canadian government that is looking after the security at airports and making sure that the security agents are well trained and paid well so they do not end up rotating because of cheap labour.

I think Canadians are comfortable with that but what September 11 showed us is that it is not just airline pilots that have to be concerned. Those airplanes were used as a tool of destruction. Many innocent people who merely went to work in an office building ended up losing their lives. So it is not just airline passengers for whom security is required.

I think Canadians would also acknowledge that the government has a role to play in insuring airports and airlines for terrorist activities if that insurance cannot be found at a reasonable cost in the private sector. I believe Canadians would be comfortable with the government making sure that airlines and airports are properly insured for events such as the one that occurred.

Where we get into greater concern is when we start talking about the loss of revenue that airline companies may be looking forward to or not looking forward to. This is more of a controversial subject.

Air Canada has made its claims based strictly on the numbers used in the American legislation. The American legislation does permit subsidizing the loss of business but it is very specific. It is for a period of time from September 11 to December 31. It is not for the ongoing loss of revenue for days, months or years ahead. The response from government has to keep that in mind.

The question we must ask is whether Canada is obligated to follow the U.S. numbers. We certainly do not in the agricultural industry. We do not subsidize our agricultural industry to the degree that the Americans subsidize their agricultural industry. One has to question the premise that because the U.S. government is subsidizing to this tune that Canada must do the same.

If Air Canada is competing with an American airline for a flight from say Toronto to New York and the American airline is being subsidized for that flight, would it be fair that Air Canada or the other Canadian airline is not subsidized? There is an argument that there is some support that would be required. The question is how we give that support. If it is given through insurance, through direct costs, through taking away the security measures and other things, then there are ways of helping the airlines to compete.

● (1915)

I certainly think that Air Canada and all officials who are concerned about this issue must have the right to appear before the transport committee to give their case so that all the evidence and all the information is done in a public way. If decisions are being made and having to be supported by the Canadian people then they have the right to have exposure to the information that is being laid on the table.

If the government does decide to subsidize—and I am not convinced that is the decision it should come to other than the direct costs and other measures that I have put on the table—conditions need to be placed on the table at the same time. The unions have to agree to waive the no layoff provision. Every airline company

around the world is dealing with restructuring. It is not right that a Canadian airline feels it does not have to deal with that whole restructuring as well.

I sympathize with all the employees. I would wager that there is not any other constituency in the House that has as many airline employees as my constituency. A lot of people will be directly affected by any kind of layoffs. However I have to ask the government how it could possibly pick out one industry and protect that one industry from layoffs when it would have to consider the trucking industry, automotive industry and every other industry that has been or would be affected by the events of September 11.

Fourteen thousand British Columbians have been laid off from their jobs because of the duties placed on softwood lumber. Communities have been devastated because of these layoffs. Do these 14,000 British Columbians not deserve the same consideration that the government might be giving to the airline workers?

The other concern I have, which I have raised before, is how the government could subsidize an air carrier that is in direct competition with another existing air carrier in Canada. That would be subsidizing one business to provide competition to another. It is very hard to find any rationale to support that. I do not see any indication on the part of Air Canada to change its direction on that issue.

Limitations would have to be placed on compensating high income employees or officers of the company if the government decided to subsidize the company. The government would need to examine the recent stock market dealings of major Air Canada shareholders, including its largest shareholder, Caisse de Dépot et Placement which apparently made a large profit for selling short on Air Canada stocks. In other words, profiting from the decline of Air Canada stocks.

In looking at the comparison between Air Canada's quoted market value and WestJet's quoted market value, I cannot understand how the major airline in Canada, the flagship in Canada with almost a monopoly on a lot of air travel, is worth one-third of what a small, low cost carrier can be. The management issues there have to be questioned if the government is planning on any kind of subsidization.

I mentioned earlier that not all of Air Canada's problems relate to September 11. From a high of \$17.50 in November 2000, Air Canada shares had dropped to \$6 before September 11. After September 11 they dropped an additional \$2.50, just a small portion of that initial \$11.50 drop.

Air Canada's current market valuation is \$270 million. I would suggest to the government that puts Air Canada in a position where the private sector could very easily manage to adjust the management of the company. The private sector is in a position where it could come in and take over the company and do a restructuring.

● (1920)

When we contrast that with WestJet, we really have to wonder if that is not what needs to happen here.

Government Orders

In conclusion, the federal government should not take an equity position in Air Canada, but rather should eliminate the restrictions on private, domestic ownership to allow more capital into the company. The private sector solution is the best solution and it is available.

I am a little concerned that we should not even be having this debate. Had we allowed the private sector more ability without that limitation, perhaps it would have looked after itself over the years. However that was a decision that was made a couple of years ago and now we need to make sure that we do not make another decision that prevents Air Canada and all Canadian airlines from being viable, well run airlines that compete and are solvent companies that give good, solid, long term employment to their employees whom they treat fairly. I think that can happen with private sector involvement. I would urge the government not to get involved in any kind of equity share in Air Canada.

Mr. Dennis Mills (Toronto—Danforth, Lib.): Mr. Chairman, since September 11 the Minister of Transport has been on the job from the first hour. Canadians and members of the House forget that within three hours nearly 300 planes that were not allowed in U.S. airspace landed at every airport across Canada.

Within days other security measures were taken, measures which have not been mentioned tonight by some members of the opposition. These included drug sniffer dogs at airports across Canada. We are not saying tonight that it was enough. Nor is the minister. He announced a number of other security measures that would be taken.

Most important, it is tremendous that we as members of parliament have an opportunity tonight to put forward our ideas and thoughts and the views of our constituents on the floor of the House of Commons. The minister is here and I know the Prime Minister is listening to the debate. I hope he moves quickly on some of the constructive and doable ideas tomorrow in cabinet or before the end of the week.

I will begin with an experience I had Friday night. I landed in Toronto and got into a taxicab. Coincidentally the driver was Nick, a man who has been in the cab business for years and who happens to be, of all things, from my riding. I asked him how business was. He said that since September 11 his business was down by 50%. When someone makes a wage of \$500 to \$700 a week and it is all of a sudden cut in half, members must know what a shock it is to one's system, one's family, one's grocery bill and one's rent payments.

I appeal to the Minister of Transport that the debate tonight is not about Air Canada and the airline industry alone. It is about the thousands, not hundreds but thousands, of small and medium size business men and women from across the country who are affected by the operation of the airline system.

When twenty daily flights from New York City to Toronto are all of a sudden reduced to three there is a ripple effect on the person who does not have the leverage to go to a bank manager for more money. Most people cannot go to a bank manager and ask for the difference until cabinet and the House of Commons decide what will happen with the airline industry of Canada. It does not work that way. Banks do not operate that way. They will give time to the airline industries and the lead corporations but not to the thousands of small business men and women.

I appeal to the Minister of Transport, the Prime Minister and our cabinet colleagues to move quickly on this file. I will be specific in my recommendations tonight because it is a night of thinking outside the box. It is a night of trying to propose creative, constructive and doable ideas.

I do not share all the ideas of the previous speaker, my colleague from the riding of South Surrey—White Rock—Langley. It is no secret that I have always been a person who believes in government intervention.

• (1925)

We are facing a national challenge in terms of consumer confidence. Anyone who would challenge consumer confidence in airlines right now has not been walking through airports or flying on airplanes. We have a crisis in consumer confidence in our airline industry and we need to do something to deal it. I propose the following ideas for restoring consumer confidence.

First, we should figure out a way to creatively apply a 50% reduction to all airline fares for youth under 25 and people over 60. This would encourage and stimulate people to fly again, not just with Air Canada but with all airlines in the country. It would have a tremendous ripple effect on our tourism industry and national unity. It could be achieved through the transport committee but it should be done quickly. The reduction would apply only to flights within Canada, only outside the busy periods of Christmas and Easter and only for eight months.

We need to stimulate people to get them back on airlines. I have a lot of respect for President Bush. He gives great pep talks and tells everyone to fly to Disneyland next weekend, but it will not happen that way. In this country we must give it a stimulus. This is where I disagree with my friend from South Surrey—White Rock—Langley because her party says we should have no government stimulus.

Second, I have stood behind Air Canada from the first day I was elected to the House and will continue to stand by it. Two years ago it was voted one of the best airlines in the world. It has been going through a super bad patch since September 11, but I believe any taxpayer money that goes into stabilizing Air Canada should be exchanged for equity.

The Ministry of Industry would be responsible for that. I hope the Minister of Industry, who is sometimes referred to as Captain Canada, would agree to stabilize Air Canada even if that means it becomes a crown corporation again. That is my view. I know some people will not like it but it is my view. That is the beautiful opportunity of having a debate tonight.

Third, the member for South Surrey—White Rock—Langley said something tonight that I totally agree with. She said we cannot deal with only one airline. We must do something in the next couple of weeks that will stimulate all industries and every sector of the economy. Even before September 11 we knew we had a bit of a fragile economy.

I think my friends in the Canadian Alliance will love this idea, and I call on the Minister of Finance and every member of the House to consider it. As a bold, broad step to stimulate the whole economy we should spend the GST for one year.

Government Orders

This would cause a blast of confidence to go through the entire economy. It would touch every sector. It would stabilize the temptation of many industries that are thinking of laying off Canadians. As taxpayers and as a government we would ultimately pay for this through various government programs.

● (1930)

The beautiful thing about the GST is that we do not need to consult the provinces. We do not need to consult the municipalities. We can come in here and put it to the House. What member of parliament would not support it as a means of re-igniting the economy and touching every sector?

Yes, it would cause the Minister of Finance a bit of a jar because the standard line around here is to ask where we would get the money. However if we do nothing we may have to come back here eight months from now to find more money. Let us bite the bullet and do it now.

Mr. Jason Kenney (Calgary Southeast, Canadian Alliance): Mr. Chairman, as always I am sure the finance minister will be pleased to hear the latest suggestion from the hon. member for Toronto—Danforth. He has a reputation for being one of the few policy innovators opposite. It is a well earned reputation.

I am happy to rise on this take note debate. I thank the House for the opportunity to join my colleague if he would agree to yet again press for a flat tax in the Liberal caucus or a single tax as the case may be. I thank the government and all parties for allowing us to bring this matter forward because the airline industry is a central element in our modern economy, especially in a country so huge.

As a Canadian who spends many days and dozens of hours every month on airplanes I have a personal understanding of how central the industry is to the flow of traffic, goods, services and human capital across the country. I do not envy the difficult position the transport minister finds himself in although to a great extent he and the government's policy have created the predicament in which they find themselves.

In terms of the immediate economic consequences of the September 11 tragedy, my colleagues in the official opposition and I support in principle the notion that all our airline companies, not just the principal monopoly of Air Canada but all airline companies, that suffered direct economic harm as a consequence of the shutdown of our airspace and commercial air traffic from September 11 to September 13 ought to be compensated for those losses and any perhaps other provable losses as a consequence of the shutdown.

We have not yet seen, at least in the opposition, what kinds of losses the airlines might have incurred. I understand from published reports that it could be in the neighbourhood of \$100 million for Air Canada and several dozen million more for the smaller air carriers.

That seems reasonable because the companies operate on small margins to begin with and their ability to operate is dependent on the government authorizing open air space. For two or three days they did not have that and were unable to operate or generate revenue. Because the shutdown of commercial air traffic was clearly the consequence of a national and continental emergency, I think all parties and all Canadians would support in principle compensation limited to the direct consequences of the shutdown.

We in my party support the idea of an appropriate degree of government fiscal support for additional security imposed on airline companies by way of federal regulation. Clearly all Canadians expect the government to engage in a comprehensive review of airline security. We do not think the government has moved quickly enough in regard to certain obvious measures, certainly not as quickly as the government of the United States.

There will be costs associated with this. In so far as the costs are the result of a federal mandate to protect Canadians and promote public security, my colleagues and I would support limited government fiscal compensation for some of the additional security measures.

I am disturbed to see certain companies, Air Canada in particular, playing the lobbying game, seeking special interests and engaging in rent seeking behaviour. We understand from published reports that Air Canada approached the government prior to the September 11 disaster for a major bailout in the order of \$2 billion. Shortly after the September 11 disaster the CEO of Air Canada upped the ante to \$3 billion or \$4 billion.

● (1935)

This raises the question, was Mr. Milton using the outpouring of public concern and compassion following September 11 as a political lever to squeeze more tax dollars out of the federal government? I think that is an important question. I find it quite troublesome that we would have seen his company seeking corporate welfare before this event and then doubling its ante afterwards.

I believe as my colleague, the member for Port Moody—Coquitlam—Port Coquitlam, has already stated in this debate, we need a strong, vibrant airline industry. We have tens of thousands of people employed in that industry and millions of Canadians served by it. We need to maintain a strong industry.

However let us not be coy about this. We do not have a strong airline industry in this country. As a result of government inaction and government policy, we have a de facto monopoly, a virtual monopoly, in a tightly government regulated industry in the hands of Air Canada. We have predatory pricing practices. We have a company, even though it has a virtual monopoly, that still has managed to lose money, quarter after quarter and month after month, rather than making the difficult management decisions that it needs to make in order to provide the services and make a profit or at least not continue to run quarterly deficits. That is a management requirement. It ought not to be laid at the feet of the taxpayers of Canada.

Government Orders

This is a huge, trillion dollar, complex, free market economy with a number of enormous industries and corporations. If we accept the premise of Air Canada's request for a bailout of some \$2 billion, and I think it has gone back down to \$2 billion now which really raises the question about on what basis it is making these claims and these requests, we are essentially establishing a precedent that the Government of Canada and the public treasury will be available to backstop and bail out companies in any sector of the economy that find themselves in a period of economic difficulty. That is simply wrong in principle. Every day, unfortunately, dozens if not hundreds of small businesses and entrepreneurs go bankrupt, lose their businesses, have to lay off employees and have to go without incomes themselves because they are struggling to operate in the marketplace.

I think it would be wrong to prejudice the federal government and the taxpayer to subsidize one chosen industry, one chosen monopoly corporation, at the expense of all of those taxpayers, entrepreneurs, small businesses and small and medium-sized enterprises in various sectors, including the transportation sector, which are struggling day by day to make it by, to make their payroll and to make a profit. We need to treat all sectors of the economy with a degree of equity and not prejudice ourselves in favour of any particular one.

We would speak out against any unspecified bailout of any corporation. This is not just with respect to Air Canada. Again, this points to a greater need for a review of government policy in the airline industry to allow for greater competition. I now look forward, in light of September 11, to the government allowing a continental security policy in terms of a common border and a common perimeter so that we can look toward a common transportation policy. I would hope the government would consider allowing American carriers to compete on an equal footing with their Canadian counterparts to give more choices and more services to Canadian consumers.

My colleague, the opposition critic for transport, has addressed a number of security issues that have arisen. I do not need to delve into them. However, I will say in closing that this is a particularly difficult moment. I believe we are moving into a recession. We had negative growth in the last month of the second quarter and the first month of the third quarter. I have no doubt in light of September 11 that we actually are in a domestic and international recession. In fact, the Bank of Nova Scotia is now projecting a \$5 billion fiscal deficit for the government in the fiscal year 2002-03.

• (1940)

That means that it is time to make some tough choices. At a time like this we have an urgent imperative to invest more public resources in areas of national security such as national defence, where we spend less than any country in NATO save Luxembourg, or such as CSIS, which has the lowest relative intelligence expenditure of any major western country, or such as the RCMP, which has had major cuts. These are all areas of the highest public importance and we cannot justify unspecified corporate bailouts and corporate welfare at a time like this when public resources must be dedicated to national security. I hope the government will find the right priorities to govern those decisions in the future.

[*Translation*]

Mr. Mauril Bélanger (Ottawa—Vanier, Lib.): Mr. Chairman, I would like to use the few moments I have tonight to talk about three main issues.

First, the minister asked me to explain that he had to leave to take part in a meeting. He apologizes and will be back as soon as it is over. His parliamentary secretary, the hon. member for Chicoutimi—Le Fjord, is here and is taking note of what is being said tonight.

• (1945)

[*English*]

The first item I would like to cover briefly is the matter of safety in our air transportation system. I readily recognize that I am not an expert in this area and I will not attempt to provide advice as to what can be done to improve it. There is certainly a recognition nationwide that it has to be improved somehow. There will be those who are more familiar with these matters who will come forward and provide sound advice and we will improve the system.

[*Translation*]

There seems to be a consensus throughout the country that the government must take the lead in ensuring safety and security in the airline industry.

Everyone I have talked to since the tragic events, the horrific events of September 11, agrees that the government must ensure that Canadian airports and air carriers implement the best security measures possible. The government has a role to play in this area. It must once again assume some responsibilities, ask the RCMP to be more visible, and so on. That is the first point I guess on which most Canadians and certainly the residents of my riding of Ottawa—Vanier, with whom I have had the opportunity to discuss this issue, would agree.

[*English*]

The second item I would like to bring up is the matter of insurance companies that a few days after the horrors of September 11 decided they were no longer offering a certain item of coverage relating to war and terrorism. I find that behaviour despicable. I am speaking of companies that have been engaged to provide insurance coverage and suddenly decide, unilaterally, that they will no longer offer this coverage no matter how much they are paid.

That essentially put governments in the position of stepping up to the plate. Otherwise the entire system would have been grounded. I congratulate the government for having stepped up to the plate and for giving a 90 day breathing period to the industry to come up with a different solution.

I hope that we look in terms of those solutions to a self-insurance mechanism of sorts, whether it be through a co-operative venture involving all partners in the airline industry, whether it be through government or whatever mechanism we eventually end up with on self-insurance. I would hope that at that point we would look at the three other product lines that these insurance companies have not revoked and perhaps offer them to this joint venture, co-operative self-insuring mechanism that we have devised.

Government Orders

It is unacceptable that the private sector, which I hear being lauded by a lot of people across the way, would in a time of crisis and a time of dire need pull the plug as they have on their coverage. This is behaviour that I would not have expected from Canadian corporations. They are not Canadian. They are multinationals, I gather, and three of them control this market worldwide. I would hope that we have learned a lesson in not trusting monopolies.

The matter of insurance is one that I wish to bring to the attention of the government because I hope it will push these insurance companies very hard and reprimand them for their behaviour.

[*Translation*]

The third item is Air Canada itself. I have to admit that I am one of those who were quick to criticize Air Canada in the past, either because of its casual attitude or because of its lack of service or because of one of its employees or representatives. I have to admit that I am not always pleased, even today, with its behaviour, particularly since it has indicated its intention to ask \$3 to \$4 billion in government assistance. It is now down to \$2 billion. I find this behaviour most reprehensible.

That being said, I think it is absolutely crucial for a country like ours, a country that has trading partners all over the world, to have a national air carrier. I think it is a must.

[*English*]

We need a national carrier. For a trading nation it is a necessity. Therefore we either deal with Air Canada or we invent another one. We have Air Canada for the moment and I for one think that it would be very detrimental to our economy and to our international reputation should this carrier be grounded. I am of the view that somehow, somewhere, we have to help Air Canada restructure itself and be sure that it can continue occupying the air space that Canadians wish to occupy.

• (1950)

[*Translation*]

What should we do? On one hand, the company is asking us for money; on the other hand, we do not want to give it a blank cheque, and I agree with that. There is no question of giving a blank cheque to Air Canada, and I think the government was pretty clear on that.

We must show some imagination. I want to go back to a suggestion made by the member for Davenport. We should invest in Air Canada. I do not think we should buy Air Canada shares that are currently available.

[*English*]

There are about 120 million shares outstanding. I think Air Canada closed at somewhere around \$3.35 today, so its market capitalization is around \$400 million. I am not suggesting that the Government of Canada buy those shares, buy back Air Canada. I am suggesting that it should consider making an equity investment to be issued as treasury shares, and it could make a significant equity investment before it goes out to secure loan guarantees and so forth. There might be a package of measures to sustain Air Canada but at the same time protect the Canadian public and its tax dollars.

[*Translation*]

The government should seriously consider some form of investment for which it would receive treasury shares, which would give it seats on the board, and I said seats, in the plural.

[*English*]

I think it is rather important that the government obtain through that mechanism seats, in the plural, on the board to help Air Canada restructure. For instance, having a good presence on the board, it could force Air Canada out of unfair competition, out of the regional carriers, out of the low cost carriers where there are others in the country that are prepared to compete in that area. It could concentrate on long haul flights in Canada and certainly on our international routes, which is what we would expect a national carrier to do. That is my first idea that I would encourage the government to consider. I am not the only one who has such an idea.

[*Translation*]

Second, there is a need for loan guarantees, it goes without saying, especially if the government has a major investment in Air Canada.

Third, it is perhaps time to act quickly and offer Air Canada employees, those remaining anyway because, unfortunately, there are many fewer than before, an opportunity to buy shares in Air Canada, so that they too are at the table to protect their interests.

[*English*]

An employee share ownership plan that might encourage some equity investments into Air Canada at this time could be very useful, certainly for the remaining employees of Air Canada. It might have been useful for those who may have been given notice that they will not work there any more.

Those are some of the measures that I think the government should look at: equity investment, some loan guarantees and certainly employee share ownership. As well, once we have seats on the board we can reorganize Air Canada and help it restructure. The government has proven that it can be a good manager. A private-public partnership would help us protect two things. As a private concern Air Canada is focused on maximizing shareholder value. That is its job. However, as a public concern we are here to be mindful of service to the public.

[*Translation*]

Now, as Air Canada heads into some very difficult times over the next few years, a private-public partnership would be one way of ensuring that the government does not just maximize value for shareholders and profitability, but that it also concerns itself with service to the Canadian public. It is important that we have a national carrier.

Government Orders

Incidentally, the government could ensure that Air Canada reviews the percentage it gives travel agents who sell its tickets. There was a decision on this very recently. Air Canada took a very tough stand against travel agents who sell plane tickets. This would be a way of forcing Air Canada to review this treatment of travel agents which is, in my view, heavy-handed.

These are the basic ideas I wanted to present. It is a very difficult situation and I hope that wisdom will prevail.

Mr. Paul Crête (Kamouraska—Rivière-du-Loup—Témiscouata—Les Basques, BQ): Madam Chairman, I am pleased to take part in this debate. The motion reads:

That this Committee take note of the difficulties experienced in the Canadian airline industry.

It is important to make a distinction between the difficulties experienced before September 11 and those that result from the events of September 11. If the events of September 11 had not occurred, the House would not have met to settle Air Canada's problems, including its longstanding management problems, and problems with the Official Languages Act and with providing adequate services in the regions. It is quite possible that this company, with the type of services that it provides to the regions, is experiencing serious financial problems. It is always necessary to have business clients to succeed and, in the end, make money.

But if services are disorganized, as they have been in recent years, it becomes less and less practical to fly. This problem is one that existed before September 11 and it should not influence the efforts that must be made to solve the current situation at Air Canada and in the whole Canadian airline industry.

What happened since September 11, since these terrible events? The terrorist attack generated a fear that has resulted in a major loss of clientele within Canada and in terms of the number of passengers coming from abroad, because this is very much an international crisis, since travellers all over the world are still traumatized by what happened. Some efforts should be made in that regard. The most harmful effect being felt today as a result of this loss of clientele is the loss of thousands of jobs everywhere.

For years society kept saying "The less governments get involved, the better it is". We are now realizing that it is important to have a true state, a real state that can take action to ensure compliance. Today, we heard that safety should really be a government responsibility and that we should make sure that security officers are properly trained, that the hired staff is well paid and that it gets the necessary training to do its job.

I believe these are the essential basic conditions because what has to be done is to get people back to taking the plane. They have to be told that people are flying again. MPs have begun to fly again within Canada. So have others, and this must be made known. I believe a promotional and advertising effort needs to be made to tell people that yes, things are safe again. But, as always in marketing, claims must not be made that cannot be guaranteed. If we are going to assure people that the system is going to be safe, means must be taken first to correct the situation so that it is.

As well, a very thorough assessment of losses is necessary. What are the consequences of the September 11 terrorist attacks? What are

their true consequences on the air industry? Have all companies been affected, not just Air Canada? Do they have to be considered as well? As well, we need to realize, and this is very important, that this is going to be a terrible test of our social programs.

Let us keep in mind that EI has been cut markedly in recent years, rather viciously and deeply cut. Today, we have to realize that, in circumstances such as these, an emergency solution has to be found. Also, in my opinion, a long term solution is necessary so that our social programs will not only serve the people in the airline industry who are living through a catastrophic situation, but also the other people also affected by it.

The tourist industry does not have the lobbying power that Air Canada does, because it is often made up of a number of small businesses. Today, we are already aware that there are fewer tourists from the U.S. and Europe. Why would the tourism industry not also be entitled to some form of government assistance? It is no more responsible than was Air Canada. These elements must therefore be taken into consideration.

As far as the EI system is concerned, this afternoon I asked the Parliamentary Secretary to the Minister of Human Resources Development whether the minister was indeed prepared to agree to job sharing. There seems to be some openness toward this, and it must be available as well to all other industrial sectors affected by the situation. We do not want a response like the one given today about "proceeding on a case by case basis".

• (1955)

Does case by case mean that the important company with a lobby will win points and that the small businesses, which lack the power and influence with the government, will not? The government has to make a clear and definite decision. It must make a commitment to the effect that, yes, it will make airline travel safe, show that it is safe and provide equal help to all industrial sectors that were affected, and will unfortunately continue to be affected, by the events of September 11.

We have a set of situations that requires a much more dynamic approach than what we have seen from the minister this evening. I was really disappointed, because this afternoon, during oral question period, we were told "Wait for the debate. We will see what the outcome is". This evening we have been debating practical matters, but they do not get to the heart of the problem and the issue on the table.

I would like someone from the government to tell us whether the suggestions by a Liberal member, who said the price should be lowered for all young people and seniors, will be the government position. We are anxious to know.

Government Orders

Here again this is a bit of interventionism. Another attempt at targeting and creating bureaucracy. What it would take basically is something that brings customers back to planes, something that makes them want to fly. It is a good, quick and efficient service. The services provided must meet consumer needs.

Tomorrow morning, even if everyone were asked to take Air Canada planes in the regions of Quebec, we still have the problem of few flights. The customer gets very little consideration. It is not easy to arrive at a reasonable time. When changing planes is involved, it becomes really awful. It is quicker to drive from Ottawa to Rivière-du-Loup than to fly there. This is a fact. It is a specific example and must be addressed in the recovery planned for Air Canada and the entire Canadian airline industry.

I hope that tonight's debate will make the government understand that it has to show some leadership, so that people can believe that flying is once again a safe and efficient way to travel. Through word of mouth, people will come to realize that flying is once again a valid option and will regain confidence in other industries as well.

It is important to realize that. We need to show compassion to the people who stand to lose their jobs. When people lose their jobs, it has an impact not only on their families, but even on the corner store operator and on the whole economy. If we take all these things into account, if the Liberals show the leadership the people expect to see from them, I think we will manage to pull through this crisis and find some kind of solution to put the economy back on track. We will erase all the fear the terrorists have put in the heads and hearts of our fellow citizens.

This should be our main purpose. To show the terrorists that they have not won anything by the attacks they carried out on September 11, we have to pull through, to turn things around, and to restore the people's confidence in the airline industry, which would be in the interests of all Quebecers and all Canadians.

● (2000)

[*English*]

Mr. Shawn Murphy (Hillsborough, Lib.): Madam Chairman, I appreciate the opportunity to speak to this take note debate on the difficulties being experienced at present by the Canadian airline industry. Our airline industry has long and short term challenges.

These challenges should be dealt with separately. We should not be mixing apples and oranges. The short term challenges result from the dramatic decrease in the appetite of the consumer for flight travel, especially international flight travel resulting from the terrorist incidents that occurred in New York City, Washington, D. C. and Pennsylvania on September 11.

● (2005)

Before dealing with the financial assistance that a lot of us are speaking about tonight, the first issue that has to be addressed is providing consumers with total confidence in the security of our airline system. Our Canadian system is safe and has been safe. Canada has an enviable aviation safety and security record and is committed to improving that record. However the system is not perfect and improvements have to be made.

Canada and all other countries around the world are taking extraordinary steps to improve the system. Changes must be made in

both airport and air flight security. There must be increased terrorism response training for flight crews; increased use of sophisticated technology; total separation of the cockpit from passenger areas; worldwide identification and tracking of known terrorists or people who in the past have associated with known terrorists; and increased penalties for both the travelling public and, more important, the companies that operate within our Canadian airports for any violation of airline security regulations.

It has been said tonight that many of these actions are being taken. I compliment our Minister of Transport for the actions that have been taken to date.

I support the privatization of our airports. I have read or heard nothing that convinces me the Government of Canada is better able to operate the country's airports than the companies that are presently operating them.

Improvements have to be made, especially with the financial plight of our smaller airports. The Government of Canada must make and enforce the rules. What the Canadian airline industry needs right now is a return to normal flight levels.

Airline traffic will return. We are seeing positive signs, especially on domestic flights, that the number of passengers is slowly returning. Immediately after the September 11 incident traffic was down by 60%. Today it is my understanding that traffic is down by approximately 20% and decreasing daily.

On the issue of financial assistance to Air Canada, I am compelled to recommend a go slow and cautious approach. Any decision has to bear in mind that Air Canada lost \$108 million in the second quarter of this year. That is nearly a million dollars per day for every day that it was operating during that period.

Robert Milton, president and chief executive officer, announced that Air Canada had to adopt a new business plan and lay off approximately 4,000 employees. That announcement was made prior to the September 11 incident.

Many of the commitments made by Air Canada during the takeover of Canadian Airlines and incorporated in Bill C-26 were in serious jeopardy prior to the September 11 incident. Any compensation package should be based on losses directly incurred as a result of the September 11 incident, and any package should be available to all airlines operating in Canada. That is the short term solution.

Unlike some of my colleagues, I am against the Government of Canada taking over Air Canada. A government owned airline would be cumbersome, uneconomical and inefficient. It would not have the flexibility to operate in today's complex airline industry.

Government Orders

Unlike many of my colleagues, I am against the Government of Canada taking an equity position in Air Canada. This would be politically pleasing in the short term but would cause considerable grief to the Government of Canada. I see difficulty convincing the public as we go forward that the government is not operating Air Canada. As the saying goes, "if you are in for a penny, you are in for a pound".

The industry's long term problems are caused to a large extent by the sheer size of our country.

• (2010)

Canada is a geographically large country, the second largest country in the world, with a relatively small population. Servicing cities like Montreal, Ottawa, Toronto, Calgary and Vancouver will not be the challenge. The challenge will be providing air service to other cities, towns and regions that require economical, stable and reliable air service.

If Canada is to remain a strong country, regular, stable and cost efficient service is needed in smaller centres. We need a competitive environment, the environment that existed prior to the September 11 attacks. We also need mechanisms that in the long term protect service to our smaller communities.

Looking at the long term and going forward, I invite the transportation committee and the Minister of Transport to look at the following positive recommendations.

First, all airlines should be required, depending on the number of flights they have, to offer service to outlying communities, to the smaller towns, to the smaller regions. This would be done on a comparative basis, based upon the size of the airline and the flights they operate.

Second, all airlines operating on major routes should be required to accept passengers of a competitive regional carrier at a reasonable cost. This code sharing is similar to the concept that has been already successfully adopted in the long distance telephone industry.

Finally, and most important, there are many routes because of their remoteness that will require government assistance. Air service is the lifeblood of many communities in the western part of Canada, right across the northern part of the country and in Atlantic Canada.

The Government of Canada provides assistance for roads and wharfs. It assists the rail industry. It is only normal to accept the proposition that some assistance would go directly to the airlines that provide service to these communities.

There is tremendous pressure today, tonight and tomorrow on the government to straighten all the problems of the airline industry. We are under some artificial deadline this week. There is suggestion the train is leaving town and that everyone should be on the train.

What I am saying tonight is that the trains are already gone from a lot of these smaller towns, cities and regions. They do not have trains and they need air service.

The public is returning and will continue to return to the air. The short term difficulties should be dealt with as such. At the same time the government should seize this opportunity, this crisis, to look at a

made in Canada solution to the long term challenges facing our Canadian airline industry.

Mr. Charlie Penson (Peace River, Canadian Alliance): Madam Chairman, I am happy to participate in this take note debate. I will begin by looking at the federal government's role, in particular its role and legacy with respect to Air Canada and the airline industry in general. It is a sad legacy that goes back several decades.

Air Canada was incorporated by an act of parliament in 1937, although it was called TransCanada Airlines at the time. In 1965 it became a crown corporation and was renamed Air Canada. Like most other airlines it expanded dramatically during the sixties and seventies, largely fuelled by revenues from the population of Canada. However by the mid-1970s rising fuel costs, price wars and the recession took its toll.

Before restrictions were removed from CP Air, Air Canada carried almost 80% of domestic air traffic. However passengers and cargo declined drastically in the early 1980s with the recession that occurred. The previous Conservative government privatized Air Canada in 1989. It was a good move as it got rid of some of the crown corporations that were bleeding a lot of money from the Canadian public.

It was no surprise that financial losses for Air Canada continued even though it came out of it with a pretty generous restructuring package and a modern fleet when it was privatized.

With the introduction of the open skies agreement between Canada and the U.S., Air Canada introduced 99 direct flights to Florida. Overseas and transborder flights are where Air Canada earns the bulk of its profits. Domestic service, however, remains a problem.

After the Onex bid to merge Air Canada and Canadian Airlines was declared illegal by a Quebec court, the transport minister suspended the competition laws to give the two companies 90 days to talk merger. In December 1999, against the advice of the Competition Bureau, the government permitted Air Canada to swallow its only large competitor, Canadian Airlines, for \$92 million or \$2 a share. That is where it started to come apart.

We have a market economy in all sectors in Canada. Essentially 99% of all businesses operate under a market economy. We have a few regulated industries as well. Why was the market not allowed to take its natural course in the time that Canadian Airlines had problems?

Bankruptcies occur all the time. Many Canadian businesses are subject to bankruptcies in tough times. It is a natural part of the business cycle. The shares and product of Canadian Airlines could have been picked up by a company. It could have been accomplished for 20 cents on the dollar and a company could have been structured in a way that it could make money. However we gave it to Air Canada, the only major competitor. Not only that, we put it through a regulated environment, took it back to regulation, and the market economy was not allowed to take its course.

Government Orders

Even when Canadian Airlines was operating and swallowed PWA about 10 years earlier, it acquired too much debt. The same thing occurred with Air Canada when it took on Canadian Airlines. There was too much debt. Too many conditions were imposed in a regulated environment by the government.

Monopolies are not good for consumers. With 80% of the domestic market the new Air Canada was close to a total monopoly. In the vacuum of competition the Liberals attempted to regulate the situation by setting up watchdogs who, despite having \$10 million in fines and jail terms to back them up, turned out to be rather toothless in practice.

The Canadian Transportation Agency was given powers to determine acceptable levels of prices to protect consumers against price gouging. The Competition Bureau was ordered to ensure that Air Canada did not deliberately undercut what little competition it had. It did not take long for the new Air Canada to flex its muscles against smaller airlines.

Following complaints from WestJet and CanJet the competition commissioner issued a temporary order requiring Air Canada to withdraw a targeted seat sale for routes served by the two discount airlines. This put the Competition Bureau in an awkward spot. An organization dedicated to protecting consumers by enhancing competition now found itself arguing for higher prices.

● (2015)

The Liberal government's style of corporate governance is a sham. It is a sad legacy of what should have happened in the country. There is no substitute for the market economy, and we are living evidence of it today when we talk about the difficulties in Air Canada. We have had regulated airlines and airlines that fail. There were three small ones in the last year. RootsAir is one that comes to mind. That is the legacy of the government.

Air Canada responded by challenging the order of the Competition Bureau on a constitutional basis that was rebuffed by the Quebec superior court. Air Canada tried again before the Competition Bureau but again it lost.

Currently the whole issue of whether Air Canada is abusing its dominant position by offering tickets below cost to drive out competition is before the tribunal. I recall being in Calgary about a month ago when two Air Canada flights, each half full, left for Vancouver seven minutes apart. Price is not the only way that competition can be discouraged. Overcapacity is another.

Prior to the September 11 incident Air Canada was getting busy to launch its own discount carrier and musing about entering the growth charter business. Obviously 80% of the market was not enough for Air Canada.

Why a monopoly was less tasteful to the Liberal government than increasing the foreign investment caps or allowing foreign airlines to compete in Canada is not the subject of this debate. However we would like to get involved in that another day.

The Liberals should resist the urge to intervene yet again in the airline industry. Let the market take its course. If the company goes bankrupt, somebody will pick up some of that fleet and offer service across the country in a good fashion.

Assistance to airline companies could include lowered or deferred air navigation fees, gas tax relief and continued third party liability indemnity. However no bailout for the industry.

What industry will be next? We have many that are suffering difficulties as a result of September 11. There have been four hour backups at the border with the United States last week. Members should think of the trucking companies and the tourism business in Quebec City and Whistler, B.C., that had conventions cancelled.

Any post-terrorist attack drop in air passenger traffic should be allowed to work itself out through the market. Ninety-nine per cent of Canadian businesses operate in a market economy. Why should the airline industry not do the same?

The unfortunate reality that existed prior to September 11 was that passenger traffic was down. There were too many half empty airplanes flying and too many employees to retain during the economic downturn that we all knew was coming.

Although there is no question and answer period this evening I would like to end with a question. If we bailout the airline industry how long will the list be of those who come next asking for the same treatment? Let the market decide what should happen.

● (2020)

[*Translation*]

Mr. Marcel Proulx (Hull—Aylmer, Lib.): Madam Chairman, following the horrible events of September 11, Transport Canada worked together with the airline industry to help them adapt to the new operational realities in the transportation sector. The Minister of Transport and his department, Transport Canada, must be congratulated for the way they are managing the current crisis.

The layoffs announced by Air Canada last week are not related to commitments made by the airline, which were incorporated into Bill C-26 regarding the merger with Canadian Airlines. It is worth acknowledging that these circumstances are not unique to Canada or North America. Airlines around the world have been forced to reduce their number of flights, and have announced layoffs.

Air Canada announced that it would be reducing its workforce by 9,000 employees. Four thousand of these layoffs were already announced in August. Eight thousand positions will be cut from the main airline and 1,000 more are to be cut from the regional carriers. Air Canada has also announced that it will be reducing service by some 20%.

Clearly, our priority for the airlines right now must be to help them until business returns to normal, and all of our efforts must be concentrated on achieving this.

Government Orders

I do not support opening Canada's airspace to foreign carriers. I feel that foreign airlines operating in our country would only be interested in the major routes, leaving smaller Canadian communities without service. Therefore, it is appropriate and even essential that the federal government take the time to review all the issues relating to the airline industry.

If compensation is provided to the airline industry, it should only be for financial losses directly related to the closing of the airspace following the events of September 11. Any federal compensation program should include the whole industry.

Let us not forget that there are other airlines operating in Canada and that if we provide some kind of assistance, they must all be treated fairly since they are all equally affected by the events of September 11.

In fact, the Minister of Transport said on September 27 that whatever form this assistance may take, it will be costly. It will cost a lot of money. The Minister of Transport is currently assessing the financial situation of not only Air Canada, but of all the other airlines.

This federal assistance should in no way be used to solve some Canadian airline companies' major financial problems that are not related to the events of September 11.

Any financial assistance provided to Air Canada should not give it more resources to maintain its seemingly anti-competitive behaviour and should not allow it to pursue what seems to be a fight for total domination of the market.

However, the issue deserves to be considered from a different angle. Of course, the tragic events of September 11 have had a terrible impact on air carriers. Unfortunately, the whole transportation industry is affected by this crisis. Be it trucking, shipping or transportation of manufactured goods, the whole industry is weakened by this crisis.

The Minister of Transport referred to this in the House on September 19, when he said there was a need to assess the degree of the dislocation and the damage, and there was no doubt that there had been a lot of it. He added that the airline industry is just one aspect of the transportation industry.

We must ensure that any compensation provided is fair and equitable. For that, we must also look at the other components of the transportation industry and not only focus on the airline industry.

● (2025)

On the issue of safety, Transport Canada is committed to maintaining and increasing the safety of passengers. In fact, safety measures in place in Canada's aviation industry meet and even exceed International Civil Aviation Organization standards.

However, to excel even more, the Canadian government has taken extra safety measures. These measures deal with the presence of dangerous substances and sharp objects aboard an aircraft. They also deal with access to aircraft by airport workers, security personnel training, ID photos, improving infiltration testing and reinforcing cockpit doors.

In closing, the Government of Canada must reexamine its policy with regard to the protection of sensitive and highly populated areas such as downtown cores, sites where major cultural or sporting events are held and very tall buildings.

For example, it is unthinkable and ridiculous that all kinds of aircraft are allowed to get close to the Peace Tower for tourism or for recreational purposes.

In conclusion, passenger safety must remain the priority of the Government of Canada.

[English]

Mr. John Herron (Fundy—Royal, PC/DR): Madam Chairman, I will be splitting my time with the hon. member for St. John's West if he should arrive in the appropriate amount of time.

The Assistant Deputy Chairman: As I do not think that is in the rules, I think you need to ask for unanimous consent.

Mr. John Herron: Madam Speaker, I would ask for consent.

The Assistant Deputy Chairman: Is there consent?

Some hon. members: Agreed.

Mr. Ken Epp: Madam Chairman, I rise on a point of order. With all due respect, there are a number of us who want to speak within the time limit. I do not think you have the option under the rules. Perhaps you could check with the table officer.

The Assistant Deputy Chairman: The member misunderstood. The member for Fundy—Royal is splitting his time, which means five minutes and five minutes. He is not taking time from anyone else.

Mr. John Herron: Madam Chairman, we have heard from a myriad of individuals speaking about security issues and about the best way to approach the issue from an economic perspective. What I would like to concentrate most of my time on are the workers themselves, those individuals who are going through a very uneasy time at home.

I am speaking to this from the perspective that my riding of Fundy—Royal will be heavily affected. Members may be aware that the principal reservation system evolves out of the call centre facility in Saint John and essentially half of those workers reside in the riding of Fundy—Royal.

I am very appreciative of the comments that I have heard from many constituents. The management of the call centre were also very concerned with the issue, as was the vice-president of the Atlantic CAW for local 2213. These people helped to shape the remarks that I will be making.

Let us first admit that the grand experiment by the Government of Canada failed. It tried to have a private sector company work in the environment of a regulatory regime as if it had a function as a crown corporation. We understand as a point of fact that particular case did not work.

What the Progressive Conservative/Democratic Representative Coalition is advocating is that we need to look at the issue from a holistic perspective in terms of how we approach this. We must admit that in the coming days, weeks and months the airline industry that we presently have will need to be reshaped and reformed.

Government Orders

When we look at the ideology that may be advanced by members of the Canadian Alliance, they may not subscribe to one perspective. I would like to compliment our transport critic from Vancouver in that regard. We need to recognize that a lot of the revenues from Air Canada happen from international flights. If the Americans help their carriers compete with Air Canada which may not have governmental intervention, then that would unfairly penalize Canadian companies in their capacity to compete. There are legitimate reasons for us to look at that.

Many Canadians are also concerned about just giving money to Air Canada in the form of a blank cheque. They are concerned that Air Canada may actually use the cash to set up a discount airline. It might have been a good idea but are we going to use taxpayers dollars to compete with a private sector venture like WestJet or Canada 3000? Those are things that should raise legitimate concerns.

In my view, there are other methods the Government of Canada should engage. If it does engage in that regard it must do it with respect to what I would see as a logical thing in terms of a severance perspective. It could use the cash to ensure that the employee ratio that Air Canada has per flight compared to maybe a WestJet flight is addressed.

We still need to recognize the fact that although we do have more competition, Air Canada is still part of Canada's national transportation infrastructure. We have to ensure that we do have a competitive national airline but not to the detriment of private sector competition.

• (2030)

I would also like to highlight another issue, which is clearly a solution the Government of Canada has to look at and which we have been raising in question period. If we want an infusion of cash, if we are really serious about having liquidity in terms of actually helping the private sector lift this industry, we clearly have to drop the 15% stock share issue and also the 25% foreign ownership issue. Those issues have to be raised as well.

In conclusion, Madam Chairman, I want to thank you for the opportunity to participate in the debate. My first priority is the workers affected by this issue. I want to stand with the workers as they go through this transition. I want to thank my constituents who have helped me shape my debate this evening.

• (2035)

Mr. Loyola Hearn (St. John's West, PC/DR): Madam Chairman, I would like to thank my colleague from Fundy—Royal for sharing his time. Coming from the far east of the country, we are certainly affected by what is happening as much as anyone in the country, and more than most except for the people from the far west, including my colleague from South Surrey—White Rock—Langley.

Newfoundland is often referred to as the rock, even though those who know it know it certainly is not. It is a tremendous place. Ottawa is often referred to as a hard place in which to get anything done. I guess I am always caught between a rock and a hard place. I am at the mercy of Air Canada because basically it is the only regular airline we have coming in. It is basically a monopoly.

What does it do for service? Let me say this: not very much.

Like all my colleagues who have spoken, I have concern about what is happening. We saw a tremendous change in the air industry after September 11. In fact, while I am on my feet I should pay tribute to the numerous Newfoundlanders who played a tremendous part in assisting all those who were affected and who helped out the many people who had to land in Newfoundland, at St. John's, Gander and some others, perhaps at Goose Bay and Stephenville. I guess even Deer Lake was affected to a large degree by the people who landed there and had to stay there for quite some time.

In fact one person was met by a friend of mine. He said "So are you stuck here for a few more days?" The person said "I'm not stuck. I've never had such a time in my life". That speaks pretty well for the members of the Newfoundland and Labrador constituencies and it is no surprise to anyone who knows the area.

However these people from Newfoundland and Labrador who were so gracious are also greatly affected themselves, not only the people who work in the airports, but as others mentioned, the people who work in the hotels, the taxi drivers, the truckers, the tourism industry, the stores. I could go on and on because everyone is affected. Consequently, if we are to help one, we must help all. If we are to help one airline, we must help all airlines.

There are two things we must look at: first, that we do have what we call a national carrier, and second, that a way must be found to keep it flying, but not at the risk of negatively affecting others who are in competition because it is competition that makes the world go round.

In Newfoundland if we had more competition we would not have to put up with some of the poor service we have been getting. I will take a minute or so just to illustrate a couple of examples. I can use personal examples from the weekend.

I left here on Friday, rushed to the airport to find out my flight was delayed and got into Halifax to find out we did not have a plane. Finally one was found and when we were ready to board, after another hour and a half wait, there were mechanical difficulties with the plane and more delays. Finally we got into St. John's and I got home at 1 or 1.30 in the morning after driving from the airport.

Government Orders

When I was coming back on Sunday, most people on the flight I was on would have left home at 12 o'clock to get to the airport in time to check in. We got on our flight, got to Halifax and were told we had an hour's wait. We got up to get off the plane and were told we could not get off the plane unless we were changing planes; if we got off we would not be allowed back on. We waited for an hour and a quarter and then came on to Ottawa. Between St. John's and Halifax, we had a bag of peanuts. Between Halifax and Ottawa, we had a bag of peanuts. It was about eight hours from the time people would have left home until they got to Ottawa, and others probably went further, and they had two bags of peanuts, including a person who had a diabetic condition and needed some sugar. There was no fruit or anything on the plane to give to that person. That is the type of service we get for paying \$2,200, round trip.

The dangerous thing I heard here tonight was the suggestion that there is a possibility that an influx of money might be put into Air Canada but it would be the responsibility of the Minister of Industry, Captain Canada, as someone said, the person who arrested the Spanish fishermen's boat, gave back the fish, gave them extra quota, apologized, kissed them and sent them on their way.

● (2040)

Government should challenge the private sector to get involved here. What an opportunity. Change the rules so that it can do so and let us get on with the business.

Mr. Peter Stoffer (Sackville—Musquodoboit Valley—Eastern Shore, NDP): Madam Chairman, I have listened to the debate now for over two hours and would probably have to admit that I am only member of parliament now in the House of Commons who can speak from personal experience, because I am technically on leave from Air Canada. I worked for the industry for over 18 years and I am now on leave as I perform my public service in the House of Commons.

Before I begin my remarks, I would like to extend my condolences to the members of all the families of those airline employees who were killed in the unfortunate circumstances of September 11. As an airline employee I know exactly how those people must have felt. That day they stood on the bridgehead, closed the door, said good-bye to the flight attendants, gave a thumbs up to the captain and less than an hour later that plane was on the ground in a disastrous way. I must say that I spent a long time crying during those days, knowing that those airline employees perished in a terrible way. My heart goes out to those families, along with my condolences and those of my colleagues from Dartmouth and Halifax and the rest of the NDP caucus, provincial and federal, across the country.

I would like to give the House the names of some airline employees so that we can put this in perspective. The fact is that we are not talking about numbers. We are talking about human beings and their families. I was a proud airline employee for 18 years. I must say that in 1997 when I was nominated Paul Withers of the CBC said: "The Sackville—Eastern Shore nominations are now complete. The Conservatives have picked the well known, hard working member Ken Streach, the Liberals have picked the former hard working member of council, Beverley Peters, the Reform have picked the former lieutenant-colonel of the military, Robert Cuthbert, and the NDP picked some airline worker named Pete Stoffer".

That is exactly what he said after the nomination in 1997. I have yet to forgive that man for that comment, because the fact is I am proud to be an airline worker. I am proud to say that if I am not elected in the next election I would be proud to go back to the airline industry. For the thousands of airline people, their families and the affiliated associations connected to the airlines, I must say that it is a proud and noble job to have. I was very proud to work nine years in Yukon and nine years in the Halifax airport. I take offence to anyone saying that this is just a numbers game, let the market decide everything and we will have it.

I cannot believe the PC/DRC would stand up and say let the markets decide. The fact is that the United States has the most unregulated, market oriented airline industry on the planet and it is begging for money from the government. That was long before September 11.

There are many combinations in the problems of the airline industry. It has very little to do with September 11. I will give you the names of Bob Lochyer, a 26 year employee of Air Canada, Harvey Lane from Newfoundland, a 40 year member of the airline industry, Dan and Jennifer Carrier of Nova Scotia and Dave and Ronald Savard of Nova Scotia. What a lot of people fail to understand is that this industry has a lot of husbands and wives working together. There are a lot of partners working together in this industry throughout the entire country. When the airline goes into a tailspin for whatever reason it does not affect just one income. It affects the entire income of that whole family. Probably there is not a pilot, an agent, a mechanic or a cleaner on those aircraft who would not move anywhere in the country to follow the job. Airline people are like that. I was like that.

In 1998 I was told I no longer had employment and that if I wanted employment I had to go where my seniority held. Thank God I had a union to protect my interests. I moved to Halifax, a decision I have never regretted.

It is very easy for me to stand up here and rally against Robert Milton, the CEO of Air Canada, but that will not solve the problem of the day. However I will tell Mr. Milton how offended I am by a comment in an e-mail sent to all the employees of Air Canada on September 26. This is the part that absolutely offends me as a person who has watched many of my colleagues follow down to the Canadian regionals, Air Atlantic and everyone else with the promise of jobs, equitable wages and everything else, only to have the rug pulled out from under them.

● (2045)

In the e-mail he says that it is expected that the launch of the low fare carrier will mitigate job losses in both the mainland and regional carriers as qualified surplus staff will be hired on a preferential basis by the low fare carrier. What that basically says is to hell with everyone, but by the way when the low fare carrier starts up, hopefully with a lot of government money, everyone will be hired back. We have no idea of what the circumstances, wages or conditions will be. It is incredible that this can happen.

I also want to thank the regional carriers. One suggestion I should make is that if Air Canada wants any government money or if the airline industry wants any government money they will have to sell off the regional carriers and allow them to be profitable on their own.

Another suggestion is that if the government plans to put in more money it has to have an equity share in the airline industry. It has to make sure that the government has people on the board of directors to give the public a say in the future of the airline carrier.

I could go on forever in this regard, but I want to say in closing that as an airline employee myself and now a member of parliament, I salute each and every one of those airline people throughout the country. I ask them to stop fighting among themselves and work toward a positive conclusion so that we can have an airline industry in the future that we can all be proud of.

Mr. John Bryden (Ancaster—Dundas—Flamborough—Aldershot, Lib.): Madam Chairman, we are a prisoner of our own symbolism. The current Prime Minister is fond of recalling that he got his name as a novice member of parliament by moving a private member's bill that renamed the national airline carrier Air Canada. Since that time, Air Canada's jets have been like emissaries of the country worldwide. They are seen in airports everywhere and they say Canada. The reality is that no major nation in the G-7 can afford not to have a national airline and not to have a national air carrier whose planes are shown in the airports of the world.

It is more than just a symbolic thing. Symbols have a powerful impact on people's imaginations and the way they interact with one another. The Air Canada symbol helps us in world trade. It helps us in selling ourselves as a nation across the world. That may be small in numbers, but large in heart, large in expertise, large in much of what we have to offer to the world. Therefore, I do not feel that we really have any choice but to rescue Air Canada. We have gone far enough, shall we say, in losing Canadian but we certainly, as a nation, cannot lose our airline symbol.

There is a second reason why the government is obligated to rescue Air Canada. I speak of Air Canada and not the other airlines, even though I think that they would be entitled to claim help as well. We have to rescue Air Canada because the government, for the right reasons or the wrong reasons depending on how we look at it, is responsible for putting Air Canada in the very difficult position that it finds itself in the wake of this crisis.

What should have actually happened when Canadian was having difficulty, was market forces should have been allowed to operate and Canadian should have gone under. The government instead, wishing to protect the jobs of Canadian airline employees, forced Air Canada, indirectly perhaps, to undertake a merger.

Indeed, those of us who have some knowledge of how business operates would have argued very strongly that the better thing for Air Canada and the airline industry would have been to let the market forces have their way. That is a terribly harsh thing to say when we are talking about people's jobs and livelihoods. Nevertheless, the fact remains that Air Canada is less able to withstand the events of September 11, because of the fact that it acquired Canadian, than it would have been if Canadian had been allowed to perish economically, as would normally happen.

Government Orders

To me the question of rescuing Air Canada is academic. How we do it is the subject of other people's speeches here. I feel very strongly that what is more effective than any rescue or any valid bailout, is to get the passengers back on Air Canada, get the travelling public back up in the air. I am concerned because the government has been very unwilling to take a position on airline security.

Some of the debate tonight was about the fact the government would bring in better technology to beef up security at airports, bomb sniffing machines and that kind of thing. However, the tragedy that occurred on September 11 and the reason why people are not flying is not because of airport security. It is aircraft security that has everyone frightened. Nothing changed on September 11 with respect to airport security. Airports have always been at risk by terrorists.

It goes back to the bombings of which I think the first was 1968. It was an airplane hijacking but not with the intent of a suicide flight into a ground target. In imaginations of people, they have this picture about what must have occurred on these aircrafts when people realized they were destined on a suicide mission. That is quite different than a normal hijacking where people on the aircraft might have had some hope of survival.

Actually I have nightmares about this. I think people across the land and across North America, if not the world, occasionally have dreams of this horrible situation in which they find themselves trapped in an aircraft that is on a mission of destruction and death.

● (2050)

If the government wants to get people flying again, it needs to take a strong line on aircraft security as soon as possible. The reality is Madam Speaker, that the Americans have moved very quickly in this regard. We cannot, as a country with a national carrier, not follow suit.

I was watching the news this evening and Peter Jennings was interviewing various people who were talking about the fact that Washington national airport will not open until it gets sky marshals in place and gets various other security provisions in place. The reality is that if the Americans do that with their aircraft, it is extremely unlikely, as a matter of fact it is not likely at all, that American aircraft flying out of Canada will not have sky marshals on them when they go to the United States. Similarly, it is extremely unlikely that the Americans will allow Air Canada aircraft to land in Washington or New York unless they have an equivalent level of security. I suggest that equivalent level of security would be sky marshals.

Some members on the opposite side, and on this side for that matter, might find it extremely hard to hear me, of all people, talking about the idea that our airlines should carry armed guards because I deplore the free use of firearms. I am not a hunter and I have no argument against hunters. However I certainly have a very large argument against the proliferation of weapons in the United States in the possession of civilians.

Government Orders

In this instance, if we are going to get Canadians back on to Air Canada as quickly as possible, we have to make a strong statement that at least for the short term until other security measures are in place that are just as strong, we have to do it. If we do not do it, I can assure the House that in my area of the province of Ontario people will simply go to Buffalo if they feel they can get an airplane that is safer. I do not think the government will have any choice because if the Americans bring in this level of security, Air Canada and any other carrier going into the United States from Canada will have to follow suit.

One might ask why the transport minister has not come out with this decision if it is so logical? I would suggest that it is one of the strengths and weaknesses of the Canadian parliamentary and cabinet system that this country, because of the cabinet system, can act very decisively. Once a decision is made in cabinet things move very quickly. On the other hand, to make sure that ministers do not go on expeditions solo, usually when there is the necessity of making a very important decision in their portfolios, they seek cabinet consensus. I would suggest to the House that when cabinet meets tomorrow this very subject of the security of aircraft will be high on the agenda.

It is certainly a very serious thing we have been faced with as a result of the terrible tragedy in New York. However the last thing we, as Canada, want to do to give any support to these terrorists, is to allow Air Canada to crash as a result of a terrorist act by these extreme groups like we saw in New York. Air Canada is a symbol of Canada. We have to maintain that symbol one way or another. If it involves a rescue package that is one thing. If it involves peace and security that is another. One way or another we have to preserve Air Canada.

• (2055)

Mr. Jim Gouk (Kootenay—Boundary—Okanagan, Canadian Alliance): Madam Chairman, I am pleased to participate in this debate tonight to provide a few ideas, I hope, which the minister said he was looking for when he spoke earlier this evening. I trust he is paying careful attention to the ideas that have been brought up.

It has been said that many industries are affected by this, not just the airlines. There are the aircraft manufacturers, hotels and tourism outfits. It is all true. Of course, people ask how can we provide money when so many industries are affected and how do we deal with it? The reality is that it all evolves from the airline industry.

When the airlines do not take passengers and do not travel, they downsize which affects aircraft manufacturers and all their various suppliers. It affects hotels because there are no passengers travelling, and it goes on and on.

We can address a lot of the industry wide problems that have been created by this terrorist attack in September by dealing first and foremost and decisively with the problems in the airline industry.

The first thing we need to do to try to get airlines back on their feet is to regain the confidence of passengers that it is safe to travel and that we are taking prudent measures to ensure their flying safety.

I remember years ago when I flew out of Castlegar, there used to be scrambled seating on the 737s. I happened to like to fly in the front seat because I found it much more comfortable. However

everybody scrambled on ahead of me and those seats were always taken until somewhere in the world there was an airline accident. Then invariably the investigators talked about how it was so much safer at the back of the plane. For the next several weeks or perhaps months, I had no problem getting my front seat.

We have the same thing happening right now. People have heard about this and they envision it occurring even in the smallest little communities from which they may fly out. They suddenly have this fear that flying is very dangerous. That is the first step the government needs to take. It needs to look at airport security. We have heard tales already tonight of how one in five attempts to smuggle fake weapons of one type or another through security have been successful. That is pretty scary in light of what happened and in light of passenger confidence. That needs to be cracked down on.

We have also heard some people, particularly on the government side, talk about reforming a crown corporation with Air Canada. For heaven's sake, if we have learned anything in the past, we should have learned that the airlines cannot be run by a government agency. The minister squanders enough money on VIA Rail, and that is small potatoes beside Air Canada. We do not need him dabbling in ongoing and permanent subsidies to Air Canada as well.

He might consider taking airport security back under the wing of the federal government, instead of having all the various airlines provide the security with minimum priced help, with unsupervised training and obviously not very good training. If one in five attempts to smuggle fake weapons through are successful, then obviously a much better job needs to be done.

If we could regain the confidence of the flying public and get the passenger count up, that helps not only the airlines, but it helps many of the other industries and of course their employees. We have heard quite a bit spoken tonight about the tremendous number of people who are becoming unemployed as a result of this.

The government has made a lot of mistakes in the past and not necessarily this government, because I do not want to pin everything on it. However governments in the past, this one and others, have made a lot of mistakes. When Air Canada was privatized, most of its debt was written off by the government.

I congratulate the Liberal government. When it privatized CN, it did not make that same mistake. I was on the transport committee at the time and I argued very loudly against doing that. The government to its credit listened and got a much better result in the privatization of CN than it did with the privatization of Air Canada.

I do not blame Air Canada. It was a private corporation now responsible for making money. It suddenly found itself out in the marketplace with a competitor, CP Air that had a heavy debt load. It did not have any debt load so it could go after CP and become the carrier of Canada. That is where the problems of the airline industry in the country really started.

Government Orders

• (2100)

The foreign ownership rules that restricted the amount of shares that could be held by non-Canadians ultimately was part of the downfall of Canadian Airlines. Canadian Airlines had partners outside Canada willing to make further investment and they were not allowed to. That was one of the roadblocks that ultimately brought Canadian Airlines to its end.

Another one was the foreign ownership rule for Air Canada. Air Canada, unlike the Onex deal, used its own internal funds and financing abilities to take over a troubled airline. There was no new capital. It was all just Air Canada taking on a lot of the debt of Canadian Airlines.

The Onex deal involved bringing a lot of new capital to the table. If it had been allowed to go through, in the end it would have been a much better operation for all those employees and for the travelling public. What finally brought down Canadian Airlines was the government's unwillingness to change the 10% ownership rule that any one shareholder could not own more than 10% of Air Canada. That was the final bring down of Canadian Airlines.

Air Canada was operating with tremendous debt structure and in severe financial problems before the September 11 crisis. There have been some changes since then. There have been changes to the layoff rules. In all honesty, the structure with regard to job guarantees that Air Canada went in with, while reassuring, was hardly practical. In my own home airport the employees of both airlines all stand behind the counter now and unfortunately, they did not see fit to get expanded counter space. There are so many of them they have to take turns standing up at the counter. It is very frustrating for the manager of the company in Castlegar to deal with that and still try to be responsible in terms of the bottom line.

Then there is the big issue of fuel taxes. I trust the minister is paying close attention to this one because this is one very fast way he could bring some relief to the air industry in Canada. When the GST was brought in by another government, the airlines were promised in return for imposing on their passengers this tremendous cost of an extra 7% on all tickets, that the government would get rid of all the other taxes that they had to pay. The airlines were promised that.

Madam Chairman, because it was not the government that is here now, I think can say that that government lied to the airlines. They did not take away all those taxes. They left a fuel tax. For this year alone Air Canada budgeted \$46.7 million for excise tax on jet fuel, taxes that are largely not paid by its foreign competitors. That puts Air Canada at a severe disadvantage.

There has been talk of loan guarantees. For the record I would say that if loan guarantees are being considered, they should be only that amount that is necessary to ensure that Air Canada maintains the credit rating it had prior to this occurring. Those loan guarantees should be available to its competitors as well.

There should be no discount airline startups until all those guaranteed loans are paid. Then if it still wishes to go ahead with that discount airline, there should be an audit provided by the government that ensures there is no cross-subsidization of that discount airline from Air Canada. Otherwise all it is is a fancy name

to do predatory action against the other airlines in Canada without having any accountability for it.

There should be, as some people have suggested, although not tonight, but I hear it brought up quite frequently, no unilateral action toward cabotage in Canada. Cabotage is where a foreign carrier can fly from point to point inside the country. There should be no unilateral declaration of that. If the United States wants to allow Air Canada to fly freely from point to point inside the United States, that is fine. However, it should not be done unilaterally in Canada. In the end that would kill Air Canada and it would not help the flying public in this country.

The government needs to move fairly quickly, but it needs to do it with prudence, if it has a good plan which it has brought to the House and which has been approved by the House. The government should not confuse prudence with vacillation. This problem cannot go on for a long period of time.

• (2105)

Sky marshals have also been mentioned. That is something the government needs to look at. In the United States people are being hired from the street, but they are soundly screened for both psychological profile and ability to do the job.

Perhaps the government might even consider asking some high frequency travellers if they would be interested in going through the screening and training process. Those people travel anyway. They would be authorized under the same provisions of a hired sky marshal. It might be a way to bring the numbers up without cost.

As far as reimbursing Air Canada, it should only be for the exact cost that it can prove occurred as a direct result of the September 11 events. I have many more ideas but I realize other members wish to speak.

Hon. Jean Augustine (Etobicoke—Lakeshore, Lib.): Madam Chairman, this evening's take note debate gives me an opportunity to discuss Canada's airline industry and its present situation.

The horrific and tragic events of September 11 have left an indelible mark on our lives and the world of civil aviation. My condolences go to the families and friends who lost loved ones on that terrible day.

Many sectors of the Canadian economy have been greatly affected by the events, none more so than the airline industry. The airline industry, tourism industry, automobile industry, investment industry and others are still reeling from the economic impact of the tragedy. The crisis threatens to plunge us into a full blown economic disaster.

Hundreds of Canadians have already lost their jobs as a result. In my riding of Etobicoke—Lakeshore, a large number of my constituents are employed in the airline industry. They are indeed concerned about the impact of the events on their livelihoods, jobs and families. Since the crisis they have expressed to me, both through telephone calls and letters, the need for some federal government support to help the sector through this difficult period of uncertainty.

Government Orders

The events of September 11, 2001 are unprecedented in aviation history. I repeat this simply because I think this unprecedented event requires special measures in response. At no other time in modern history have we seen airline shares worldwide decrease at such an accelerating rate and competition choked off. Large airline carriers in the United States, France, Britain and other countries have significantly scaled back on their staff and usage of their fleets.

In Canada small carriers have cut back. Air Transat is an example as is Canada 3000. Similarly Air Canada, Canada's flagship carrier, announced 9,000 job cuts, a direct result of recent events.

I came to Canada 41 years ago on Trans-Canada Airlines. I believe in flagships. I believe there is a responsibility to provide safe service and that has been provided to us by Air Canada.

Our airline industry has lost billions of dollars over the past two weeks. There has been difficulty in meeting insurance payments and operating costs. Many of us have had letters written to us outlining the position. We understand that reduced demand is leading to overcapacity, higher costs and lower revenues. All this has affected the bottom line. The sector is vital to our community.

I say to the Minister of Finance and the Minister of Transport that we must do all we can to help the industry through this rough patch and to shore up confidence in Canada's airline industry.

I was pleased to hear the Minister of Transport state earlier that he will not allow Canada's flagship carrier to be bankrupted by these events.

Since this tragedy we have seen the U.S., U.K. and other governments move to provide some financial assistance. In this crisis we as Canadians owe this to our industry. It is not in the best interests of Canadians to allow a vital sector of our economy to be wiped out.

I am advising the minister to proceed with assistance based on the facts and come up with a fair plan to ensure the viability of the sector. We know that Air Canada in particular was experiencing difficulty before the events, but we also know that we should be assisting it to stabilize the turmoil that is now in the industry.

● (2110)

Canadians want us to act. Canadians want us to show responsibility to the industry. My constituents want us to act on that front in their own interests. We need to put confidence in the system. We need to continue to do what we have started to do. For example after insurance companies cancelled their third party war and terrorism coverage, the federal government got right in there and provided an indemnity for such liabilities for essential aviation service operators in Canada. There is also a 90 day period of coverage and limits to existing terms and conditions placed in that agreement.

We know that the federal government can help. We know it can give support. We know that it can do what is necessary.

The Air Canada employees in my riding want a strong airline company. They want the assurance the government will take steps to ensure that they will eventually return to their jobs.

In closing I want to assure the minister that not only will we support him as he evaluates and comes up with a plan or program, but we will work with him as he is doing with the Federal Aviation Administration to enhance aviation security throughout North America.

Since September 11 I have flown a few times from Pearson airport in Toronto. Those of us who travel on the airline have noticed heightened security measures: increased police presence, passenger screening, hand searches, airport security controls, enhanced baggage screening, passenger baggage screening, and the closing of the cockpit doors. I commend the Minister of Transport for those measures that have been brought in.

It is important to affirm that I stand behind Air Canada and the employees of Air Canada. I support our flagship. I support stabilizing Air Canada, stimulating all sectors of that industry, encouraging the passengers to continue to use the system. I look to the Minister of Transport to keep public confidence in our airline industry.

Mr. John Cummins (Delta—South Richmond, Canadian Alliance): Madam Chairman, the world airline industry is in turmoil as a result of events of September 11. The repercussions of plummeting passenger loads are widespread. Travel agents, hotels, restaurants and taxis have all been impacted by cancelled reservations and the decreased numbers of people willing to travel by air.

Unless the decline in passenger travel is reversed, manufacturers of aircraft and their components will also soon be impacted. It is a huge blow to our economy given present circumstances. The slowdown is affecting carriers worldwide.

American Airlines, the world's largest carrier with over 110,000 employees, is contemplating layoffs of 20,000 people. Last month American Airlines went through \$1 billion in cash and is now working aggressively to arrange additional financing so it can keep its doors open, according to its chief executive officer, Donald Carty. He also stated that the primary challenge is survival, not profitability. He noted that as of last week the scaled back system of American Airlines had a load factor of about 50%, the equivalent of operating the pre-September 11 schedule with a 40% load factor.

The Swissair group could also go out of business within the next few days if a last minute rescue initiative fails to materialize. The chairman and chief executive officer, Mario Corti, said on Swiss television that the company will be threatened with bankruptcy without the recapitalization it expects in the next few days. Its problems, like Air Canada's, predated the September 11 tragedy but the outlook is not much different without some sort of assistance.

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Air Canada is in trouble and that is the reason for this debate. The job of the government is to fix the problem. Air Canada must be kept afloat because we need a safe and dependable national carrier to do business. If Air Canada flounders, given the state of the world's airlines, no one is likely to come in to fill the gap. There will be a huge disruption which will be very costly to business.

What we should do? Some have urged the government to take an equity position in Air Canada. I reject that position on the premise that government's role is to regulate. The job of private enterprise is to maintain the successful operation of a business. All too often the success of private enterprise is dependent on good regulations. That is the case now. Turning the clock back and making Air Canada a crown corporation will not help.

In their comments on the Air Canada crisis, fundamentalists if I may use that term, the free market, no rules and no regulations theorists, would allow the hangar to burn along with all the planes. They would have us believe that some free market good fairy would put it all together again at a lower cost, with increased levels of safety, and so on. It does not quite work that way in the real world.

Air Canada's problem prior to September 11 centred on the failure of the government to provide leadership for the airline sector. Its problems after September 11 were no different. Bolstering consumer confidence in the safety of our skies is the surest way to help Air Canada recover from this difficult time. The government must take action on this front now.

Since the tragic events of September 11 airline bookings in the country have plummeted, resulting in huge shortfalls not only for the airlines but also for others. Despite repeated requests for increased and improved airport security, the use of sky marshals and additional security procedures aboard Canadian commercial aircraft, the government has refused to take action.

Let us compare this inaction with the resolve of the Americans. President Bush is expanding the use of armed and plainclothes officers aboard commercial airlines, restricting access to the cockpit, developing aircraft tracking equipment that cannot be turned off, and putting the federal government in charge of all airport security and screening, including the purchase and maintenance of all equipment. In addition the U.S. government is committed to stabilizing its industry with \$22 billion Canadian.

• (2115)

Given the direct losses and increased costs related to the events of September 11, given the dislocation to the Canadian economy and the job losses, both direct and indirect, the government must commit to ensuring the stability of the Canadian airline industry with prudent cash support, appropriate security regulations and a reasonable regulatory system.

If the government took this common sense approach to restoring public confidence in air travel, it would go a long way toward saving jobs threatened by the current situation. A healthy airline industry would have a positive influence in these troubled times.

What we need from the government is a commitment to the success of a national carrier, commitment to the success of regional carriers and commitment to the success of the independent carriers.

Commitment to success in the airline industry has long been lacking in Canada. It is time for a change.

• (2120)

Ms. Sarmite Bulte (Parliamentary Secretary to the Minister of Canadian Heritage, Lib.): Madam Chairman, there is no doubt that the tragic events of September 11 had a very profound effect on the airline industry worldwide. Immediately following the attack, planes were ordered to land and the airspace was closed.

Many Canadians found themselves unable to return home from abroad to be with their loved ones. I was one of a number of Canadian provincial, territorial and federal parliamentarians participating in an international meeting of the Commonwealth Parliamentary Association in Australia at the time the attacks took place. We were unable to return home.

When the planes started flying and the skies over the United States were gradually opened, people who had been stranded slowly returned home. I must add that I was so pleased that I was able to return home aboard an Air Canada flight that would fly over American airspace. I knew it would be Air Canada and I knew I would be safe and eventually return home to my family.

However, after those initial returns traffic did not pick up. A week later the airports were visibly empty. I can say that because within a day of my return from Australia I was coming back to Ottawa and the flights were empty. People who did not need to travel and had returned home to their loved ones were no longer travelling.

Friends of mine cancelled their holidays to Europe, not for fear of flying but because they had a feeling that it was better to stay home to be with their families during these uncertain times. Today, getting on a flight to return back to Ottawa, almost three weeks after the attack, I note that the airports are still empty. There are no longer traffic jams outside departure levels at the airport. The lineups have disappeared. People are not flying.

The airline transportation system is an important part of our national and international economic infrastructure. Consequently, as the government has a key role in ensuring that our trade in goods continues to flow as quickly and efficiently as possible across our borders, so too I believe that our government has a role in ensuring that our trade in services continues to flow both nationally and internationally. It must ensure that the people who perform those services have access to the transportation they need in order to efficiently and quickly access their markets and perform those services.

Government Orders

Our trade in services is a foundation for our future prosperity. Our economy is largely service based, so much so that three out of four jobs in Canada are in the service industries. Last year services accounted for 90% of the 319,000 new jobs that were created in Canada.

On September 26 I received a letter from Air Canada, which I believe was also sent to all members of parliament, to advise of its recent appeal to the Government of Canada for direct and indirect assistance resulting from the terrorist attack. The letter noted that numbers of passengers heading to the United States were down by 30% and that Air Canada had reduced its overall network schedule by 20% and also had removed 84 aircraft.

Air Canada also advised that it approached the federal government for a financial package which would address the following: first, to offset the losses that occurred as a result of the three day service interruption; second, to help mitigate the anticipated medium or long term decline in passenger volume; and third, to compensate Air Canada for staggering new airport security and insurance costs.

With respect to the third request, I would like to note that Air Canada and WestJet have just added a \$3 surcharge to each ticket to offset the increased insurance costs. Air Canada has acted quickly.

Before considering the requests I have just noted, it is very important to examine how other airlines are faring internationally and what other governments are doing to assist their airlines.

• (2125)

American major airlines suffered substantial losses. Two of the airlines lost four aircraft and all the passengers aboard those aircraft died on September 11. It is not just United Airlines or American Airlines that suffered losses. All major airlines announced layoffs and schedule reductions as a result of the decrease in traffic. The United States government provided airline industries with an equivalent of \$7.5 million Canadian in cash payments and also \$15 million Canadian in loan guarantees.

Let us look at what is happening in Europe. British Airways, Europe's largest airline, reduced a number of its scheduled flights as a result of the drop in demand for air travel since the United States attack. Transatlantic travel has fallen sharply.

Last week British Airways cut 5,200 jobs on top of the 1,800 jobs announced earlier and it grounded 20 aircraft. British Airways, similar to Air Canada, was suffering the effect of gloomy economic news with the result of a decrease in air traffic before September 11. Similar to Air Canada, it responded prior to September 11 by cutting capacity, jobs and flagging more job cuts in 2002.

Interestingly enough the government of Prime Minister Blair has not come up with a compensation package. Swissair is also struggling to stay alive. I use the example of Swissair because like Air Canada it is a national airline and it too was suffering losses prior to September 11.

The Swiss government indicated that it was willing to play a role in the refining of the airline but that role has not yet been defined. Jean-Pierre Roth, chairman of the Swiss National Bank, was reported as having stated that he did not think government action to bail out any company in difficulty was a viable long term solution.

It is also important to note that he did not rule out state intervention. He was quoted in the Sunday Toronto *Star* as having stated

State intervention may be necessary in a case of an emergency, in an extremely specific situation, but...in the end a private sector response will be the long-term solution.

Mr. Ross also stressed the importance of a national airline to Switzerland with Zurich as its main financial centre and Geneva, the European headquarters of the United Nations and home to many international organizations. However, notwithstanding what Mr. Roth said, this morning the shares of Swissair ceased to be traded.

It is important to note that the decline in the demand for air travel also affected those industries which support the airline industry. We read last week that Bombardier announced that it will be cutting 3,800 jobs and decreasing production for fear the airlines will not be able to come up with the cash being the gap between the amounts financed by third parties and the purchase price of the aircraft. There is a fear that whatever cash will become available will be used to cover operating costs.

Landing fees decreased due to less volume. Catering operations decreased by 18% and it is anticipated that fuel providers will also be affected.

Ensuring the long term viability of the airlines is important not only for the airline industry but for the many sectors that support that industry. The important question that arises is how to best ensure that viability.

There is a general feeling that a private sector solution is preferable. However we must bear in mind that the September 11 attacks were unpredictable and devastating. Canadians would generally agree that it is important for Canada to have a national airline because it is more than just a national symbol.

What should be done? First and foremost we should look very closely at compensating Air Canada for the losses it sustained in the three days it was not in service. How do we assess those losses? It could be done the same way that we prove losses in court by indicating direct consequences and losses resulting from that three day period.

The federal government and the airlines must continue to assess the impact of the events of September 11 on the airline industry. We must continue to examine all requests for financial assistance by Canadian air carriers carefully and in light of the global context of the industry.

• (2130)

The federal government would like Air Canada and the unions representing its employees to work together toward a solution acceptable to all parties. Canada, because of its sheer size, needs a viable aviation industry with an economically strong national carrier. I hope we in the House can work together to find the right solution.

Government Orders

[*Translation*]

Mr. Jean-Yves Roy (Matapédia—Matane, BQ): Madam Chairman, all the impacts the events of September 11 will have on our lives and particularly on our economy are not known yet.

The very first impact, besides the horror and the bitter taste we were left with, is certainly that we have come to realize that things will never be the same on our planet.

Every serious political and financial pundit in this world agrees that things will never be the same as before this awful day. Democracies and their economies have all been tremendously affected.

These events have led countries to collectively reflect on the situation, like they never had before. Every state had to stop and rethink, if not reconsider, their relations with other countries.

It would be great if all this rethinking would lead us to sustainable peace, the redistribution of wealth, shared values, mutual respect and especially respect for life and freedom.

These last few days, a great many people made almost the same statement. The world is going through a crisis. The economies are in crisis, and the various countries have to do something about it.

Some observers even go as far as to question the way globalization has taken place or is taking place. The great states of the north, of which we are part, have not really listened to the wishes expressed by poorer countries that wanted free trade to be more respectful of people and of local and regional economies.

One of the lessons we must learn from the events of September 11 is that the concentration of decision-making centres in one place make us most vulnerable to this new form of war, terrorism.

Many large corporations operating at the international level lost their senior executives on September 11. It will take years before they can rebound from that.

Closer to us, thousands of people find themselves unemployed. Thousands of families will see their income reduced by nearly 50%. Thousands of families will suffer from this new kind of insecurity, which inevitably brings with it a host of social problems.

I think that what we see in the media reflects a form of insensitivity that we have felt in the words of our political leaders. The first page of major newspapers and the news on major television networks all say the same thing "Air Canada cuts 9,000 jobs; another carrier, 1,200; another business, 200; another one, 600". It looks a lot like a list of statistics which, like any other statistics, will soon be forgotten.

We are not only talking about lost jobs here. We are talking about human beings who find themselves unemployed. We should not be reading that 9,000 jobs were cut, but rather that 9,000 people are now unemployed.

Moreover, I think this is just the tip of the iceberg. As I was saying earlier, we have not yet felt the full impact of the events of September 11.

There will likely be more layoffs announced over the course of the next days, weeks, and months. Of course, these people will be

eligible for employment insurance, as a government member mentioned, as though employment insurance were some sort of magic solution to all of the pain caused by the events of September 11, as though employment insurance could solve the problem of all of the Air Canada employees and allow them to continue living.

What kind of employment insurance are we offering them? An employment insurance that has been slashed, virtually destroyed by a government whose sole objective was to pay off a deficit and debt caused by years of waste, of shameless spending, which continues in some sectors, particularly by overlap that could easily be fixed if the political will existed.

● (2135)

To deal with the situation in which we currently find ourselves, we need more than today's employment insurance, that is to say, in its current form. For years, we in the Bloc Québécois have been asking for a return to a real employment insurance program, which would protect workers adequately in difficult times such as those we are currently experiencing.

Our message then and now is glaringly relevant, especially today, unfortunately. The events of September 11 have led us to reflect, collectively, on the role of the state. This is the specific issue that tonight's motion deals with.

Why do we elect governments in so-called democratic societies? What good does a government do if, in hard times, it answers stupidly that we have to wait and see? Do we really need to wait until the ship has sunk before launching the life rafts? Does the economy need to be rock bottom before we take action?

I personally believe that the government has a role to play as regulator, particularly with respect to Air Canada and the airline industry. To support the economy and employment during hard times, a government must shed its conservative ways and wait and see attitude and show some creativity.

For years, the government's attitude has led to abandonment of the regions. This is particularly the case for air transportation. This government has done everything possible to unload the few infrastructures it did have in the regions. From the state as provider, we have moved to the state as non-presence. One might even think that there was an avowed wish to close down the regions, to leave them so little leeway that they would disappear through attrition.

As I said earlier, air transportation is a good example. It had virtually ceased to exist in the regions, and I trust that, despite the cuts announced at Air Canada, the regions will not again have to pay for what has occurred. In our regions, we are already in an extremely difficult situation. Services have been cut back. We are poorly serviced, if at all, and at ridiculous cost.

Government Orders

Great care must therefore be taken when addressing the difficulties being faced by the Canadian airline industry. Vigilance and prudence are necessary to avoid having this difficult and serious situation not simply put an end to a fundamental service, our air service, which is already in a precarious position.

This leads me to make the point that the cuts announced by Air Canada involved 9,000 job cuts, and apparently 1,000 of those are in regional airports.

For all these reasons and given the current situation, it is imperative that services be maintained. I say maintained, but I should really be talking about development and improvement in the regions.

I hope that the regions will not have to pay a high price. Considering what limited services we were getting, the state has a responsibility to take action so as to ensure that we will at least keep what little we had.

The government must be proactive and it must speed up the review of all the investment projects submitted by regional companies. It must adopt more flexible criteria, because its criteria often do not reflect the realities and needs of the regions. It must also co-operate with the Quebec government and with the other provincial governments. This is no time for pointless squabbles. Democracy must be respected.

The Quebec government has already begun a process that is giving excellent results in so-called remote areas. Whether in the Gaspé Peninsula or in the Matapédia Valley, people are beginning to hold their heads high, and it would be tragic if the events of September 11 were to stop this new momentum. It would also be tragic if these events were to prevent us from developing and expanding because, among other things, of a lack of transportation services.

I am asking this government to work with the Quebec government and with the other provincial governments to help our regions make it once and for all. This is a necessary and urgent change of attitude.

I remain convinced that we will be less vulnerable when our regions are stronger and when our decision making centres are not all concentrated in the same location.

As a Bloc Québécois member, I am asking the government to take action and to do so to help the regions.

• (2140)

[*English*]

Mr. Roy Cullen (Etobicoke North, Lib.): Madam Chairman, no one asked for the events of September 11. No one invited the terrorists. No one wanted them. People are abhorred with the results and how those actions have basically turned the world upside down. It is a reality that we in Canada and others throughout the world have to deal with the fallout from those terrible events.

Those events have had a huge impact on the airline industry. IATA estimates the economic cost of the current crisis on the airline industry at \$15 billion Canadian. In the United States alone 133,000 jobs have already been lost. The Swissair group could be out of business in the next few days.

These are very serious matters that we are dealing with in very difficult times. The question before us is whether or not the federal government should assist Canada's airline industry and, if it does, what form that assistance should take.

In my riding of Etobicoke North, which is very near Lester B. Pearson airport, many of my constituents are very deeply affected, whether they are airline employees, employees of the Greater Toronto Airport Authority or Lester B. Pearson airport, airline taxi or limousine drivers or owners, car rental businesses, airport hotels, airport restaurants or whatever.

Let us refresh ourselves on some of the facts and some of the history. In the year 2000 we effectively named for all intents and purposes Air Canada our national carrier. The alternative was to allow Canadian Airlines to go bankrupt. Maybe in hindsight this would have been the more preferable thing to do. Having lived in western Canada for 12 years I know the attachment and the symbolism of Canadian Airlines, as many of us in the House know.

The government tried to make it work. Overall I believe the integration of Air Canada and Canadian Airlines has been reasonably successful. Granted there are Canadians who have encountered some deficiencies with Air Canada. In fact many of us have encountered them, whether it is cancelled flights, peanuts of the wrong flavour or whatever. We know there have been some service deficiencies.

Today we are not talking about minor service deficiencies. We are talking about the very survival of Canada's airline industry.

I should like to articulate the principles I would use to determine what federal support the government should be responding with for the airline industry. The initial comment by Air Canada's President Milton when he threw out the number of \$3 billion to \$4 billion unfortunately has tarnished the debate. The number is totally unrealistic given Canada's fiscal positioning. Frankly I think it was a number that was sucked out of the air.

We should be considering the losses that the airlines have incurred as a result of closing down the skies. More important, we should be looking at the challenges facing Canada's airline industry as we move forward.

In fairness and being fiscally responsible we should be limiting it to the airlines themselves. In my riding I know many ancillary industries are affected, but the reality is that if we can get Canadians back into airline seats, if we can get travellers into airline seats, it will begin to have a ripple effect through the ancillary industries we all want.

For us to look at compensating all secondary industries that support the airline industry, we would be having auditors reviewing this for the next 10 years. Frankly at the end of the day I am not sure it would be affordable. We need to keep our eye on the issue of getting passengers back on to airlines. That is a global problem. That is a global challenge.

Canada is responding with measures to make passengers feel more confident about flying in aircraft. Closing the cockpit doors and other security measures at the airport are all helping, but it will take some time for us to get back to that position.

Government Orders

Some argue that the whole world has changed irrevocably as a result of September 11, that we will see businesses teleconferencing and that the demand for air travel will be permanently down.

• (2145)

I am not one who shares that view. Over many months people will start getting into planes. It behooves us all to make sure that our security systems, our border controls and our other ancillary services are done in a way to make sure our security is safe and sound.

If the airlines are up and running again, I think that businesses and individuals who work in that sector directly and indirectly will benefit from that. That is the most realistic approach to take.

In looking at Air Canada and the whole airline industry, although Air Canada seems to be the one with the bigger problem, we need to look at it from the point of view that all stakeholders need to be involved. The federal government alone cannot solve Air Canada's problems moving forward. We have to look at the airline employees, including management. What can they contribute to make Air Canada structurally sound moving forward? What about the debt holders? This has been an impediment to the restructuring of Air Canada. The debt holders of Canadian and other debt holders will have to, as the expression goes, put some water in their wine. Governments at all levels will have to make a contribution.

We need to separate out what happened as a result of September 11 and what issues were impacting the airline industry in Canada before September 11. We do know that Air Canada had some problems. Is that a function of their cost structure? Did it have certain overheads that were disproportionate to what was allowed in the marketplace? Did it have enough flexibility in terms of its union contracts? I know that one of my constituents talked about the concept of in-house scope, which he believes is the largest single impediment to the restructuring of Air Canada.

Was Air Canada in trouble because of increased market share being taken by some of the competitor airlines? If that is the case, that is a problem, because we want to encourage WestJet and the Canada 3000 to create more competition for Air Canada domestically.

We have given to Air Canada an incredible opportunity with a world mandate in terms of the international routes. Yes, granted, there is severe competition on those routes. However, it has an opportunity here, and I know I would like to see it succeed. I think most Canadians would like to see it succeed.

The question is, what is its business plan in moving forward? Does it have a sound business plan? What does that involve? Does that mean restructuring? Does it mean refinancing? Does it mean employees being more flexible with their contracts? Does it mean management taking some salary cuts? Whatever it takes, we have to understand that the federal government alone cannot get Air Canada back into the situation it once was.

Someone asked why does the Government of Canada not purchase treasury shares in Air Canada and maybe deprivatize Air Canada. I am not sure that would be a positive thing to do. I think that would be a retrograde step. Nonetheless, any aid that the Government of Canada gives to Air Canada and Canada's airline companies should have some performance standards, some strings

attached to that so that moving forward Canadians feel confident that there is something in it for them, that we have helped Air Canada and the airline industry restructure and because of all that it will become a more responsive and a more customer focused airline industry in Canada.

Although taking treasury shares or maybe deprivatizing Air Canada is tempting in many respects, the question also is why would the Government of Canada want to inherit some of the challenges that Air Canada is facing right now. I am not sure the government can do any better a job than management at Air Canada.

Air Canada is an amazing company and has an amazing opportunity, as do all airlines in Canada. We have to make sure that it is restructured on a sound business footing, that it is sustainable into the future and that whatever Canada does is also matched by some contributions by all the stakeholder groups so that we have a sound airline industry and we can get over the September 11 crisis.

• (2150)

Mr. Peter Goldring (Edmonton Centre-East, Canadian Alliance): Madam Chairman, I would like to split my time with the member for Esquimalt—Juan de Fuca, if I could.

The Assistant Deputy Chairman: In the committee of the whole we do not really split our time because the rules give 10 minutes to each member. You can speak for five minutes and allow another member to rise, and I will recognize him for the other five minutes.

Mr. Peter Goldring: Thank you, Madam Chairman.

On September 11, I was one of the few members of parliament who was here in Ottawa and on Parliament Hill. I saw firsthand, during the attacks on the United States, how unprepared our government was to protect those people on the Hill, whether they were tourists or whether they were workers.

By noon on September 11, airport landings in the United States had been halted. Planes in the air were being diverted to Canada. If terrorism was still in the air, it was coming to Canada.

In addition, President Bush had issued orders for the United States air force to shoot down any plane approaching Washington. It was only at 2.00 p.m., more than four hours after the crisis had begun to unfold, that the RCMP closed Parliament Hill to the public traffic, with barriers and guards.

From the perspective of countering terrorism, September 11 was not a day of which Canadians can be particularly proud. Today, though, is an opportunity to assess our weaknesses and make security improvements that are in the interest of both Canada and the world.

One such improvement was made by the president of the United States. President Bush appointed of Pennsylvania Governor Tom Ridge as head of their newly created office of homeland security, and in the words of President Bush, "to lead, oversee and co-ordinate a comprehensive national strategy to safeguard" the United States against terrorism.

Government Orders

I believe Canada must follow this lead in establishing a mirroring co-ordinated agency or ministry within Canada to act against international terrorism. The need for a co-ordinated effort is clearly evident for continental security.

Some approaches that might be explored by a homeland security ministry include the development of unconventional security analyses and recommendations. For example, we should upgrade the security credentials of all frontline airline workers, those responsible not only for security check-ins but the caterers, as well as ticket agents and customs workers. Airline personnel should be required to meet tougher new terrorist prevention awareness standards, standards that would be set internationally, possibly regulated through ISO 9001 standards or by Canadian General Standards Board, the CGSB. Presently, security scanner operators may be landed refugees with poor communications skills and only a work permit.

Other security strategies would include two. There is a danger of chemical and biological infiltration in airline cabins that can be met by electronic detectors, plus rapid emergency cabin air evacuation and repressurization to re-establish air quality. Flight deck security should be enhanced by armored integrated cabin doors. Flyby wire control conduits can be armour plated for security from explosive damage.

Additional measures and controls are numerous. Improved electronics could allow for flight plan lock-in to autopilot with limited release and range operation by pilots that would not allow an aircraft to be diverted without ground control release of security.

Plain clothes armed air marshals are an absolute necessity to keep in step with the threat reduction initiatives of other nations. The only issue to be debated should relate to the number of flight marshals and the percentage of flights that they should be present on, yet the Minister of Transport vehemently disagrees.

Also, another initiative could be that the flight recorders, the black boxes, should be improved to provide not just voice and digital data from the cockpit but also voice and video data from the cockpit and passenger cabin.

In addition to flight recordings with multiple point sound and visual sensors, there also should be concurrent transmission to ground of all air activities, sound and video. Obviously breaking technology would help address some of these proposals.

We have a choice. Better shared security over our continental perimeter with the United States or alternatively we will expose our great hitherto undefended international border to greatly hampered trade and tourism that will adversely affect our economy.

• (2155)

The starting point is to establish a mirroring homeland security ministerial office to work in step with the United States on continental security against terrorism.

Mr. Keith Martin (Esquimalt—Juan de Fuca, Canadian Alliance): Madam Chairman, I thank the member for Edmonton Centre—East. My 10 minute speech will be truncated to two and a half minutes so that I can share the time with the member for Surrey Central.

I have the highlights of my 10 minute speech in bullet form on how to save Air Canada. It is a vexing problem but it can be done. We should in part look at Continental and Southwest, two carriers that have been making money in the period of a downturn.

On the bailout issue, we are not going to give \$3 billion, but a smaller number should be given to a company that prior to September 11 was worth \$710 million.

On the issue of merging, date of hire should be the method used. It is the fairest method. Imagine having a pilot in the right seat with 15 years seniority over the pilot on the left. Those cannot be merged together if it is not date of hire.

The best way to deal with the issue of labour woes, which airlines across the world are suffering from, is with final offer arbitration. It will force both sides to come to the centre. It is reasonable and effective. Striking should be forbidden in groups working in the airline industry. Airlines are absolutely essential and crucial for an economy to function.

On the organizational side, Air Canada is drowning in paperwork as we speak. It has at least doubled the amount of paperwork that individuals have to labour under. That should be removed.

On the ticketing side, it should go back to using SABRE. It works. For baggage a computerized tracking system is needed. The current baggage handling system does not work.

The parts inventory must be computerized. Right now it is not. Mechanics do not know where the parts are. This leads to increased inefficiencies.

Cut down the routes that do not work. Decrease the number of flights on those routes that do not produce revenue. Maximize the number of people travelling on those routes. This will increase profitability.

On the manpower issue, scoping by pilots should not be allowed. Pilots should be allowed to work on the planes they are familiar with.

On the issue of equality, it is equal pay for equal work. There simply cannot be individuals who do the same job in the same or different areas who are being paid different amounts. Listen to all the groups. Bring in managers from Southwest and Continental. Both of those airline companies have done a superb job in rejuvenating those two airlines which were on the brink of bankruptcy.

On aircraft maintenance, contracting out to privatized handlers would probably not work and there could be an element of danger. Look at the airlines that crashed in the U.S.

Allow the regional carriers to manage their own affairs. They are doing a good job. They fly at capacity. Allow that aspect to be decentralized to the regions and they will function very well.

We cannot give money to Air Canada and allow it to function as a low cost carrier to drive WestJet into the ground. It is not fair and reasonable.

Listen to the people who work for the company. The employees have excellent suggestions. Provide a venue for them to offer solutions. Reward them for providing cost-cutting solutions. It will increase morale and there will be a functional airline at the end of the day.

• (2200)

Mr. Gurmant Grewal (Surrey Central, Canadian Alliance): Madam Chairman, I thank the hon. member for allowing me to share his time.

Perhaps there are more airline employees living in Surrey Central, the constituency I represent, than any other constituency in Canada.

After the Competition Act was suspended in 1999, an offer for Canadian Airlines from Onyx Corporation of Montreal was blocked. The result was that Canadian Airlines was swallowed up debt free by Air Canada. Air Canada failed to live up its 180 day guarantee it made in 1999. Instead, it cut routes, shed 9,000 jobs, raised prices and lowered the quality of service in Canada. This resulted in the troubles that accumulated in Air Canada.

The anti-competitive practices that Air Canada has continued have driven other carriers out of the industry, such as Canadian Airlines, Greyhound, Roots Air, CanJet, Vista and Royal. They have all fallen victim to Air Canada's anti-competitive practices.

The first people who should bear the brunt of this mismanagement of the airline should be the shareholders and bondholders. The second group of people should be the credit adjusters who take risks and give credit. Since they expect to share the benefit they should also share the losses if there are any. It should not be the taxpayers who pay the price for the mismanagement of the airline.

Government Orders

Air Canada has the highest capacity among all the airlines and capacity is function of cost, so the cost is high, the debt is high, there are more employees, more inefficiency and more waste. That is the accumulation of the problems which the chief executive officer of Air Canada is trying to camouflage under the September 11 incidents. I believe this problem should be taken care of mathematically, economically and on a cost profit basis.

As far as safety is concerned, the government has not given any concrete proposals. The government has not yet said whether it will allow air marshals on flights in Canada. The security measures that are in place are not adequate. After someone checks in with security at the gate they can buy knives in the terminal from the gift shop. Security is not particularly efficient.

I do not see the light at the end of the tunnel. I see tunnel at the end of the light. I believe the government should take concrete action, come up with a proposal and present some legislation to that effect so that our air industry can be competitive and safer.

The airline industry is not the only industry bearing the brunt of hard times. The softwood lumber industry made 14,000 to 15,000 employees in my province of British Columbia suffer as well. The situation is similar in the agriculture and trucking industries. They are also suffering.

Since I have run out of time, I would ask the government to look at the bigger picture rather than just giving handouts to their Liberal friends.

The Assistant Deputy Chairman: It being 10 p.m. pursuant to order made on Thursday, September 27, the committee will rise and I will leave the chair.

The Acting Speaker (Ms. Bakopanos): The House stands adjourned until tomorrow at 10 a.m. pursuant to Standing Order 24.

(The House adjourned at 10 p.m.)

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